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ABSTRACT

As the second annual report on policies and programs designed to improve the quality of life in U.S. rural and nonmetropolitan regions, this report: (1) presents tentative qualitative goal statements; (2) sets forth results-oriented quantitative goals for programs funded under provisions of the Rural Development Act of 1972; (3) describes the processes designed to validate and refine these goal statements and targets; and (4) presents data reflecting U.S. Department of Agriculture rural development activities during 1974. Rural development legislation provides the basis for national goals on employment, income, population, housing, and quality of community services, and this report articulates both qualitative and quantitative goals for each of these major areas. The qualitative goals are articulated as follows: (1) Assist in the creation of a climate conducive to growth in the employment base of rural America; (2) Contribute to the development of job opportunities in rural areas which generate incomes equal to the purchasing power in metropolitan areas; (3) Support a balance between rural and metropolitan populations compatible with the overall national quality of life and economic health; (4) Facilitate the attainment of access to standard quality housing; (5) Aid local governments to provide equal access to community facilities and services for nonmetropolitan residents. (JC)

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RURAL DEVELOPMENT GOALS

SECOND ANNUAL REPORT OF THE SECRETARY OF AGRICULTURE TO THE CONGRESS

(PURSUANT TO TITLE VI, SECTION 603 (b), OF THE RURAL DEVELOPMENT ACT OF 1972)

U.S. DEPARTMENT OF HEALTH, EDUCATION & WELFARE
NATIONAL INSTITUTE OF EDUCATION

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DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

June 26, 1975

To the President of the Senate and the Speaker of the House:

Today I am transmitting the second annual report on rural development goals, pursuant to Title VI, Section 603(b), of the Rural Development Act of 1972.

This report presents tentative qualitative goal statements, sets forth quantitative goals for certain programs funded under the Rural Development Act of 1972, describes a process designed to validate and refine the goal statements, and presents data that reflect progress in the five goals categories.

We feel that substantial progress has been made toward establishing goals for rural America and trust that this report reflects that progress.

Sincerely,

Earl L. Butz

EARL L. BUTZ
Secretary of Agriculture

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INTRODUCTION

The Rural Development Act of 1972 directs the Secretary of Agriculture to advise the President, the Cabinet and the Congress on policies and programs designed to improve the quality of life in the rural and nonmetropolitan regions of the Nation. It further directs the Secretary to "establish employment, income, population, housing, and quality of community services and facilities goals for rural development" and to report on progress towards attainment of such goals.

The articulation of these types of comprehensive goals for approximately one-third of the Nation's population, the residents of nonmetropolitan America, is a complex undertaking which poses a dilemma for the executive branch. To arbitrarily set specific goals at the Federal level implies a centralization of Federal control and depth of Federal wisdom and capability that is at variance with this Administration's philosophy of fostering a more decentralized government. On the other hand, it is recognized that the absence of goals is likely to result in a less than optimum utilization of resources. The challenge is to establish a process whereby objectives and priorities can be established at appropriate levels of government in a manner which effectively reflects the broad-based needs and desires of rural Americans. Subsequent sections of this report describe the steps being taken to establish this process. Because of the limitations of the state of the art of setting locally derived goals on a national scale, it may be some time before an accurate and refined system for describing the goals of rural America can be fully implemented.

The first goals report* provided background data and analysis on conditions in nonmetropolitan areas and discussed the factors which should be considered in establishing rural development goals. This report presents tentative qualitative goal statements, sets forth results-oriented quantitative goals for programs funded under provisions of the Rural Development Act of 1972, describes the process designed to validate and refine these goal statements and targets, and presents some data reflecting progress in these areas.

The first goals report presented considerable data on human and community resources in rural America. It presented and discussed county data grouped by metropolitan-nonmetropolitan status and described background data regarding economic and social conditions in rural America. The description is basically statistical and depends for the most part on material from the 1970 census.

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*Rural Development Goals. First Annual Report of the Secretary of Agriculture to the Congress, January 1974.

Since there is generally not much more current data available than that provided in the first goals report, such material has not been repeated in this report. Those data are being reprinted in a separate publication that will be available upon request from the Rural Development Service.

OVERVIEW

Current Rural Development Goals

The general qualitative goal statements presented in this report were deduced from provisions of current legislation impacting on nonmetropolitan areas. The specific quantitative goals or targets for FY 1975 were derived from program expenditure levels.

General Goal Statements

Legislation enacted during the past several years provides the basis for broad national goals on employment, income, population, housing, and quality of community services and facilities for rural development. These goals are:

- Employment -- Assist in the creation of a climate conducive to growth in the employment base of rural America, thereby providing a range of job opportunities for those who wish to live in rural areas.

- Income -- Contribute to the development of job opportunities in rural areas which generate incomes equal in terms of effective purchasing power to those in metropolitan areas.

- Population -- Support a "balance" between rural and metropolitan populations compatible with the overall national quality of life and economic health.

- Housing -- Facilitate the attainment of access to standard quality housing in rural areas equal to that of metropolitan areas.

- Community Services and Facilities -- Aid local governments to provide equal access to community facilities and services for nonmetropolitan residents.

Clearly, the various levels of government provide a supportive role as expressed in the forgoing goal statements. For example, attainment of the employment goal will depend largely on location decisions by the private sector and on the extent of capital investments made in the context of overall economic conditions and energy availability. Achievement of the income goal is dependent on attainment of the employment goal and upon the productivity of labor in the private sector as well as on overall economic conditions.

Attainment of the population goal will depend on the availability of jobs, incomes, housing, community services and facilities, life style preferences, and other variables. Housing starts and renovation projects depend on demand for improved housing and on the response of the private sector as well as the condition of the monetary system. The availability and quality of community

services and facilities are dependent not only on the factors already mentioned but also on the desires of the people for those services and their willingness to pay a share of the cost.

Quantitative Goal Statements

By using experience as a guide, it is possible to translate some Federal program investments into quantitative, results-oriented goal statements and also to use goals to generate costs. However, the multiplicity of Federal programs concerning rural and nonmetropolitan conditions makes it difficult to aggregate Federal investments into functional, results-oriented national goal statements.

In this report, therefore, quantitative goal statements or targets have been stated for selected Department of Agriculture (USDA) programs funded under the Rural Development Act of 1972 and other rural development programs. These goals or targets are based on budgets and projections of the agencies responsible for the programs. They are presented with the above consideration as a limitation.

Obviously, many factors outside the control of the Federal Government will affect the degree to which goals are attained. Based on information and techniques currently available, the following approximate quantitative goals or targets have been established:

Employment -- The Farmers Home Administration employment goal for FY 1975 nder Title I of the Rural Development Act of 1972 is creation of 12,000-15,000 new jobs through the business and industrial loan program; 35,000-42,000 man-years of "one-time" work through construction of new public facilities authorized under Title I; and an undetermined number of continuing jobs generated in supporting businesses.

Housing -- The housing goal of FmHA for FY 1975 is to provide for the construction or renovation of approximately 100,000 units, at least 40 percent of which will involve renovation of existing housing. One-half of the program is targeted to housing low-income families.

Community Services and Facilities -- USDA has established the following quantitative goals for community facilities and services for FY 1975:

Provide or upgrade approximately 400 rural community facilities serving an estimated 5.5 million rural residents.

Provide approximately 1,200 new or improved water and waste disposal systems serving 1.6 million rural residents.

Provide funds to rural electric utilities for the connection of an additional 430,000 consumers over 38,000 miles of line.

Provide funds to rural telephone utilities for new or improved service to an additional 237,000 subscribers over 34,500 miles of line.

Provide 1,400 professional man-years of assistance from the Extension Service to 7,000 units of government and 700,000 rural residents.

Train 220 community leaders in two National Rural Development Leaders Schools.

Goal Formulation

The interaction between Congress and the executive branch in the enactment of legislation establishing programs and providing appropriations is one type of goal-setting process. Often, however, it does not appear as such because the goal is not stated explicitly and must be derived by review and analysis of committee hearings, conference committee reports, floor debates, presidential statements, budget submissions, appropriation levels, and the results of program implementation. Although this approach is clearly the result of representative democracy at work, the somewhat ad hoc nature of the process, as it works through complex and rapidly changing issues, sometimes produces piecemeal and conflicting approaches as can be seen in the historical review in the Appendix.

The Department of Agriculture is instituting a process to obtain inputs from a cross section of rural interests at the local, substate, State, multistate, and national levels. The Department's Rural Development Service (RDS) will work with Rural Development Committees, with other existing structures such as the Assistant Secretaries Working Group for Rural Development and the Federal Regional Councils, and with Federal program administrators in establishing the dimensions of goal-setting processes and designing procedures for their implementation.

Technical assistance and detailed operating guidelines for the process will be provided to State Rural Development Committees, and they will work through State government and substate planning and development districts as well as regional and local rural development committees in implementing the process. The complexity of today's issues as well as the diversity of conditions that exist throughout rural and nonmetropolitan America require a comprehensive approach to formulating national rural development goals. These goals must be responsive to the needs of rural America and recognize the special needs of different regions. A key to attainment of these goals is an appreciation of the need for flexibility on the part of the Federal system.

1974 Rural Development Activities

The state of the art of goal setting and limitations of data and methodology presently preclude comprehensive progress reporting on rural development goals. Accordingly, this report provides information on USDA activities which affect the quality of life in rural America. This information is included with the realization that it does not meet the full intent of the Rural Development Act of 1972 regarding progress reporting.

Historical Review of Federal Actions Relating to Rural Development

This section of the report presents a review of Federal legislation and programmatic activities affecting conditions in rural America through the years in the areas of employment, population, income, housing, and community facilities. A review of this material quickly reveals the changing nature of Federal emphasis in these areas. Furthermore, it is apparent that past efforts have often been fragmented and that they were not derived from explicit statements of national goals for rural development. On the other hand, it is clear that both the legislative and executive branches have struggled for some time to state national goals for rural development more explicitly.

RURAL DEVELOPMENT GOALS

Goals may be defined as broad qualitative statements of purpose or intent which provide a unifying sense of direction to organizational activities. Another definition states that goals are quantifiable objectives which are set to serve as targets for accomplishment within a given time frame. The provisions of the Rural Development Act of 1972 directing the Secretary of Agriculture to establish goals for rural development can be interpreted to call for either qualitative or quantitative goals. This should not be surprising, since the interplay of Congress and the executive branch results in what might be termed the de facto establishment of both qualitative and quantitative goals. Congressional intent and presidential messages often implicitly contain the ingredients of broad qualitative goals, while appropriations and budgets can be translated into target-type quantitative goals.

Other than the traditional executive and legislative processes, no formal, explicit national goal-setting process exists. Therefore, the tentative rural development goals, both qualitative and quantitative, set forth in this report were derived from review of current legislative provisions and analysis of executive budgets.

The people of rural America desire more and better job opportunities, increased incomes, and increased availability of higher quality and lower cost housing, community facilities, and services. The differing conditions and often differing life styles between urban and rural areas make it difficult to determine what is a "fair" balance between Federal initiatives on behalf of rural vs. metropolitan residents in these categories.

Quantitative goals provide for the accomplishment of a measurable number of entities, and they are generally point-of-time specific for attainment; e.g., provide six million publicly assisted housing units within a 10-year period. The task of deriving quantitative goals is complicated by the interrelationship of the five goal categories specified in the Rural Development Act. A quantitative goal stated for either population, income, employment, housing, or quality of community services and facilities may implicitly state a range of goals for the other four. As a goal for one area is stated, goals for each of the other areas can be derived with certain key assumptions and the necessary data. Income is essentially dependent upon employment; housing is essentially dependent upon income; population distribution is essentially dependent upon employment and income opportunities; and the quality of community services and facilities is essentially dependent upon the tax base and purchasing power provided by employment and income.

Obviously, to be attainable, target-type or quantitative goals for rural America must be set within the context of overall national economic conditions and legislative appropriation levels.

Unlike quantitative goals, broad qualitative goals can be considered as being independent of each other as well as of national conditions. Furthermore, they tend to serve more as a general frame of reference against which quantified goal accomplishments can be assessed. For example, full employment can be a permanent goal equally legitimate in good times as well as bad; wage equality

can be a legitimate goal regardless of unemployment rates; and adequate housing availability for all can be a legitimate goal regardless of income or employment levels, the conditions of the money market, or even the availability of labor and/or construction materials.

Some term broad goals as rhetoric unless the means and method for their attainment within a particular time frame are specifically provided and described. But even when the means and method are not available, the explicit statement of such goals can be useful in establishing a sense of direction for the Nation's policymakers.

Employment and Income Goals

Ideally, all Americans should be able to choose where they wish to live on the basis of equal employment opportunity throughout the land. This implies improving the economic conditions of rural America so that people have more effective choices among locations and between rural and urban and metropolitan and nonmetropolitan areas.

The general income goal is to facilitate the development of job opportunities in rural areas to generate incomes equal in terms of purchasing power to those in metropolitan areas.

Improvement in rural employment follows from more jobs, higher skill levels, an upgraded mix of jobs, and a higher labor force participation rate for women and minorities. Attainment of these objectives will require a demonstrable annual increase in jobs per capita through substantial private capital investment in rural areas over a period of many years.

A substantial increase in nonmetropolitan employment opportunities is required just to absorb the prospective increase in the resident labor force. During the 1960's, for example, in the absence of outmigration there would have been an estimated net increase in the nonmetropolitan male labor force of two million. This contrasts with an actual net increase of 139,000 jobs for males in nonmetro areas during the 1960's. Although it is risky to equate employment and income goals with rates of natural population increase, it would seem that the stabilization of rural population follows from job creation sufficient to absorb natural increase in the male work force.

But whether the resulting stabilization of or increase in the rural population would be in the national interest in coming decades is not confirmed. It is risky to arbitrarily equate acceptable employment and income goals with acceptable rates of distribution of natural population increase.

Both the private and public sectors have major roles in achieving employment and income goals. Investment initiatives in and by the private sector are a dominant force in the process of economic development and in its geographic location. Private investment forces are often strong in rural counties adjacent to urban centers and local considerations are of little consequence in the process of rapid growth. Many remote rural counties have encountered difficulty in reversing the decline in economic opportunity irrespective of local aspirations and the availability of Federal program assistance.

Goals for federally generated employment and income in rural America are related to what Federal assistance can do to stimulate and complement private, State, and local government investment and action. The general condition of the economy is a fundamental determinant of its responsiveness to local, State, and Federal investment and regulatory measures. In addition to such influences as fiscal and monetary policy and public works programs, there are many other instruments at the disposal of government for the improvement of employment and income levels in rural America. These are scattered through the many departments, agencies, and commissions which implement programs designed to improve employment and income levels through various direct investment, loan, grant, and educational activities.

As yet, no generally accepted method has been devised to measure the complementary effect derived from the fact that two or more separately administered programs often work in the same target area. Reliable analysis of the total and interrelated impact of all public programs at work in rural development is not now within the state of the art. Yet such analysis is necessary before quantitative relationships can be established between goal setting and total program effectiveness in employment and income creation.

On the other hand, it is possible to derive some results-oriented public investment targets, which--though admittedly crude--can serve as a starting point. For example: It has been estimated that a $20,000 business investment creates one job. Thus, each $100 million in business and industrial loans could, in theory, generate 5,000 direct new jobs. In addition, an undetermined amount of indirect employment in supporting businesses would also be created. In general, the more labor intensive the industry, the lower the average income level becomes. Yet, the number of persons employed per loan is a criterion of loan approval. Thus, broad employment and income objectives are not always in harmony. Assuming the $20,000 figure to be subject to such factors as inflation, the nature of the proposals received, and other variables, and assuming the $300 million available to FmHA for such loans, the employment creation goal lies within the range of 12,000-15,000 new jobs (exclusive of employment resulting from construction in this area, which cannot be determined).

Futhermore, it is currently anticipated that obligational authorities for other activities under Title I of the Rural Development Act will approximate $600 million in FY 1975. These funds will generate jobs associated with the construction, operation, and maintenance of public facilities. Available data do not provide a basis for determining long-term job creation resulting from these loans and grants, however. But in terms of construction alone, it is anticipated that 35,000-42,000 man-years of work will be required to construct the new public facilities.

Other activities authorized by the Rural Development Act are also job-creating. Rural development research and education (Title V) programs, administered by the Extension Service and the Cooperative State Research Service, stimulate development by increasing knowledge. These research and education efforts will be evaluated for impact upon economic and community well-being, but the ultimate results may not be realized in terms of rural development benefits for a number of years. In addition, as of April 1975, nearly 550 local leaders have been graduated from the National Rural Development Leaders School to return to their communities with information needed to

initiate the development process in a knowledgeable fashion. RDS also has succeeded in establishing hundreds of contacts between local community development interests and non-USDA sources of assistance, thus facilitating bringing to bear a greater volume of available Federal assistance on rural community needs. It would be speculative, however, to quantify the employment and income influence of Title V and rural development efforts in the field of human development and technical assistance. Yet we are confident that such influence is positive and significant.

All of these factors plus others not yet considered make the setting of realistic rural income and employment goals most elusive. Thus, quantification of these goals in FY 1975 is confined to the job-producing expectations associated with funding levels anticipated for Title I of the Rural Development Act.

Population Goals

The general population goal is to facilitate a balance between rural and metropolitan populations compatible with the overall national goal for quality of life and economic health.

During the 1960's, nonmetro areas produced about 2 million new male job entrants of which only 139,000 occupied nonmetro jobs. The remainder--almost 1.9 million--migrated to metropolitan areas. By comparison, the projected growth of labor-force-age males in nonmetro areas during the 1970's is 2.3 million. The relationship between the magnitude of outmigration from nonmetropolitan areas during the 1960's and the lack of significant growth in the male labor force during the period make it obvious that success in meeting employment and other rural development goals also will influence rural population patterns.

In recent years, outmigration from rural America has tapered off and in some areas the migratory trend has been reversed. The largest percentage of the population flow from the cities to smaller communities has lodged in rural counties that are contiguous to or conveniently proximate to a metropolitan center. But on the whole, even the more rural counties now have a faster growth rate than do major urban centers. There were nearly 600 nonmetropolitan counties with population declining during 1970-73, compared with 1,300 in the 1960's. This was most pronounced in the Great Plains; the declines in other large groups of counties in the southern Appalachian coal region and in areas of the Southern Coastal Plain Cotton Belt have diminished in size and number.

A broad population goal that is consistent with other goals related to rural development is to facilitate economic and other quality of life amenities to enable citizens to choose between a metropolitan or rural place of residence. This goal statement does not imply that a specific population objective for rural America should be to absorb its own natural increase in population or that it should relieve urban congestion by influencing migration into rural America. Specific rural population objectives should be sought only after giving studied consideration of the long-term social and economic impacts that would result.

A key consideration should be land use. There are few restraints on conversion of productive farmlands to industrial and residential development.

Assuming that enough land will continue to be made available for needed agricultural production, rural America can easily absorb its own natural population increase and what is necessary to alleviate urban congestion. Conservation and improvement of national agricultural production capacity, as a resource of key significance to domestic and international well-being, should be integrated with population and developmental policies whether they be urban or rural.

There are a few States and substate localities wherein the rate and nature of development and population influx in rural areas have been subject to stringent control measures. In the main, such measures are designed to conserve residual croplands and open space after uncontrolled development has already consumed large amounts of land that would otherwise be useful for agriculture or recreation.

In gross terms, the overall population of rural America has increased despite the outmigration of millions following World War II and, with previously noted exceptions, many rural counties are currently experiencing accelerated population growth. Furthermore, it should be noted that "rural America" is not fixed in space and time; e.g., during the 1960's, some counties were reclassified from nonmetro to metropolitan.

Except for the southern Appalachian coal region, most of the counties experiencing population outmigration are economically based on a form of agriculture that has continued to become more capital intensive. In the Cotton Belt, much of the outmigration has consisted of minority laborers displaced by improved farm technology. However, the Southern Cotton Belt has good alternative economic prospects based on labor force availability, and increasing participation in nonfarm economic growth marks the Southern Coastal Plains area as a whole.

The southern Appalachian coal region also has an improved economic outlook stemming from a resurgent demand for coal as an energy substitute for oil. As in the case of the Southern Cotton Belt, private investment assisted by available Federal programs can provide the stimulus needed to modify the population outflow from the southern Appalachian area.

The Northern Great Plains and the Western Corn Belt are characterized by a different problem. The economy is solidly based on agriculture. Many counties are so distant from major markets that manufacturing, unless based on agriculture, is not a strong prospect. Population is sparse and scattered. Water in the quantity needed for many industrial ventures is often scarce. Unless communities in these localities can identify resources and assets that are invitational to investment, it will be difficult to induce any substantial change in the pattern of outmigration.

Housing Goals

Decent housing for all Americans continues to be the national housing goal. Efforts needed to achieve this goal include replacement of substandard rural housing with standard-quality housing located where people want to live and work. Interim Federal rural housing policy emphasizes more effective use of existing housing and making Federal programs more responsive to those with the greatest housing needs.

One approach to meeting housing needs has been public housing. More recently, experiments have been initiated with cash assistance programs which are designed to give families greater flexibility in obtaining lower cost housing. However, when compared to need, the level of housing assistance that the Government can afford is small with the limited resources available. Housing in the quantities required can be supplied only by encouraging private enterprise to build housing, whether for owner-occupation or for rent. Federal housing policies encourage private building and rely on local controls to restrict construction that poses serious environmental and aesthetic problems.

The Department endeavors to assist families who have the desire and are financially able to become rentors or homeowners of standard housing. This goal enables many families to acquire adequate housing and at the same time adds to their and the community's social and economic well-being. USDA provides, through FmHA, a counseling service for assisted families to ensure that they will be successful in repaying their loans.

In 1970, there were 3.1 million substandard housing units in areas served by FmHA programs. Of these units, 2.6 million lacked complete plumbing and 0.5 million were dilapidated but had complete plumbing. About 81 percent of the substandard housing in FmHA areas is located in open country. Small towns of 1,000-9,999 population have nearly 19 percent of the substandard units in FmHA areas. In 1974, the addition of places of 10,000-20,000 population to FmHA housing programs increased the number of substandard housing units in FmHA areas by about 160,000. About 57 percent of the substandard units in FmHA areas are owner-occupied. Of those rented, 39 percent involve no payment of cash rent. Only 26 percent of the substandard units are rented for cash.

Perhaps the most dire rural housing situation is represented by a Bureau of Indian Affairs estimate in their 1974 Housing Inventory that 7,489 of the 11,302 housing units of the Alaskan native population were substandard, 6,545 of these needed to be replaced, and the remaining 944 needed renovation. An additional 1,976 families had no housing. The total need for new or improved housing for Alaska's low-income native population was 8,321 units. In addition, 8,000 residents of rural Alaska obtained their water from unprotected wells, streams, tundra ponds, or melted ice, implying the need for safe drinking water facilities, as well as better housing.

USDA's national goal for FY 1975 is to provide for the construction or renovation of approximately 100,000 units of rural housing, at least 40 percent of which will be existing housing. About one-half of this effort will be directed toward families with the lowest income who are eligible for and seek assistance under USDA housing programs. Goal attainment is largely dependent on the degree to which private initiatives respond to the availability of USDA housing assistance.

Quality of Community Facilities and Service Goals

The quality of community facilities and services goes hand-in-hand with economic development in making rural America a better place to live and work. Electric power and adequate water and waste disposal systems, transportation systems, and communications facilities are essential to development activities as well as to human convenience. Some basic services will naturally follow

community development; but others, such as adequate health and educational services, and to a lesser degree recreational opportunity, are often prerequisite to substantial external investment in a small community. Federal program assistance in the field of community facilities and services centers largely on these basic needs. Consistent with the budgetary priorities assigned to facility development, the Federal Government has made good progress in meeting the needs of rural America.

Communications and Electric Power

The main task of providing electric and telephone service to rural residents has changed from one of initially making basic services available to one primarily of making qualitative improvements in service to existing consumers although there is continuing growth in the number of consumers served.

In the area of telephone facilities and services programs administered by the Department's Rural Electrification Administration, the goal for FY 1975 is to provide financing for new or improved service to an estimated 237,000 rural subscribers. (For this, $160 million will be financed by the Rural Telephone Bank; $200 million will be from REA insured loans; and $200 million will be from REA guarantees of loans from non-REA resources.) The goal for the REA electric program is to provide financing for adequate electrical service to approximately 430,000 rural residents and installation of 1,028 megawatts of generating capacity. (Financing will be $1,286 million in REA guarantees of loans and $700 million in REA insured loans.)

Water and Waste Systems

In most areas the demand for potable community water supplies stems from a need to renovate or expand existing systems instead of providing new systems in towns which lack these facilities completely. Even so, the lean years of outmigration since World War II have left many rural communities with deteriorated water and waste disposal facilities, and the demand for loans and grants to review or expand these systems is strong.

Of the 16,696 communities of 10,000 population or less outside urbanized areas, many have water and sewer systems, though many are below optimum quality. A recent survey of the FmHA backlog of requests for such systems over past years revealed that many communities apparently were able to finance new or improved systems through other resources when Federal assistance could not be provided. The implication of these findings is that loans will satisfy most community needs for these facilities.

With the funds available in FY 1975, the USDA goal for water and waste disposal systems is to provide approximately 1,200 new or improved systems serving 1.6 million rural residents. (This is based on $400 million in FmHA loans and $150 million in FmHA grants.)

Other agencies, such as the Department of Housing and Urban Development, Appalachian Regional Commission, Economic Development Administration, and Environmental Protection Agency, also have programs for providing community facilities. The impact of these programs on the needs of rural communities for water and waste disposal systems cannot be assesed because adequate data are not currently available.

Health Services

Generally, there is a severe lack of adequate health services in rural America. In addition, provision of better health services requires that rural America be able to compete with the urban sector in attracting doctors, particularly specialists. Aside from these facts, solutions to health care deficiency in rural America remain to be proven by research and pilot experiments required for large-scale solutions. USDA is working with the Department of Health, Education, and Welfare to develop broad areas of health services and procedures for rural America.

Transportation

In transportation, USDA will assist the Department of Transportation in determining how its program and funding will be applied in rural America. The objective is to provide advice and guidance intended to ensure that the transportation program effectively meets rural transportation needs within the intent of the law and the availability of resources.

Other

USDA's FY 1975 goal in the area of community facility construction and equipment is to provide or upgrade a minimum of 400 rural community facilities serving approximately 5.5 million rural residents. Included are such services as health, day care for children, law enforcement, fire protection, libraries, recreation, telephone, and electricity.

Strengthening of community leadership is critical to rural development, since community growth is most often the product of local initiative. Since active, knowledgeable community leadership almost inevitably translates into community services, goals also are expressed in this area. One such goal is to provide technical support for local rural development efforts through at least 1,400 professional man-years of direct assistance by the Extension Service. A realistic estimate of the impact of these efforts might be that 7,000 units of local government will be assisted in ultimately making wiser public decisions, while some 700,000 citizens will be similarly assisted. Some of the goals of RDS are to strengthen the technical capacity of rural communities to conduct their own development programs by training 220 rural community leaders in two regional sessions of the National Rural Development Leaders School; coordinate at least 12 interdepartmental arrangements designed to effect the better delivery of Federal services to rural America; and provide direct assistance to possibly 1,000 rural communities seeking Federal resources and technical information needed to undertake proposed community development projects.

FORMULATING RURAL DEVELOPMENT GOALS

This section considers the major factors in the design of the USDA's rural development goal formulation process; describes the principal elements of the process; and discusses the structure for its implementation.

General Considerations

Democratic institutions cannot unilaterally implement established goals because of the degree of control required to ensure implementation. A basic consideration of the American system of government is that citizens are free to pursue their own goals within the boundaries of legislatively determined constraints and with the aid of collectively determined incentives and assistance.

Thus, the unilateral establishment by the executive branch of arbitrary national goals for rural people is not only unworkable but also philosophically inconsistent with our system of government.

Furthermore, because of the diversity of conditions, values, and attitudes within rural America, the aggregation of individual goals at the national level generates only broad qualitative goal statements. While broad goal statements at the national level do meet some of the needs of policymakers and program administrators, they cannot be expected to provide the degree of focus for citizen action generated by more specific locally derived goals.

This is not to imply that goal programs necessarily succeed because of being developed locally. Many local efforts at goal-setting have failed. Discussions with local leaders point out several reasons for failure. The most often mentioned is that the goals were developed for the community by technicians from a statistical analysis of needs based on some national common denominator or abstract concept. In more successful goal-setting programs, technicians were available to help local people with the task.

Another reason for failure in goal-setting at the local level is lack of effective and interested local leadership. Effective leadership is needed to interest citizens in putting the required effort into goal-setting efforts.

Rural Development Strategies

Goals for rural development established without considering alternative strategies and approaches available for implementation would be of dubious utility. To be realistic, alternative strategies and programmatic approaches for rural development must recognize the interdependence of economic sectors and of the geographic or demographic areas in which economic activities take place. Spatial distribution of population and economic growth are at the crux of rural development. This, in turn, carries implications for the allocation of national economic resources.

There is a need to consider the effects of different types of development strategies before a comprehensive national rural development effort can be launched with any confidence in the nature of its outcome.

For example, if new communities are to be part of a conscious rural development strategy, many questions about their geographic location, population mix, and economic characteristics need to be answered explicitly. Similarly, if a growth center strategy is to be pursued as part of a Federal effort in rural development, a realistic approach involves more than simply trying to accelerate the rate of growth of growing small cities and towns wherever they exist.

On the other hand, a national policy of dispersing population and economic development, to be implemented by generating growth in sparsely populated rural areas, also is fraught with difficulties in the absence of some system of priorities or some form of rationale for maximizing impact.

In addition, there is a need to clarify the distinction to be made between developmental investments in rural areas and expenditures for maintaining or preserving existing rural communities as they have been while providing basic services for their residents. For example, public expenditures to provide residential water and sewer services in rural communities reflect a concern for the environmental health problems of rural residents, while investments in speculative industrial water and sewer facilities demonstrate a developmental orientation.

There is also the question of whether rural development efforts at the Federal level should go so far as to promote or subsidize in some activist fashion a reversal of previous migration trends. Some people question whether Federal policy should sponsor metropolitan-to-rural migration of population and economic activity.

Contrary to the views of some analysts, efforts at the promotion of self-sustained growth in sparsely populated areas have proven not to be necessarily doomed from the start. The Ozarks Region and the Upper Peninsula of Michigan are providing evidence of this as their rural areas experience relatively rapid population and economic growth. The developments which have been taking place around many interstate highway interchanges also serve as examples of rural development where there was little if any previous activity.

Programmatic approaches and their costs and benefits in the context of a comprehensive rural development effort must be weighed in view of resource limitations and socioeconomic objectives. The impact of various public and private projects is only part of what needs to be considered. How the impact of such projects relates to policy objectives is yet another, as are the resource costs involved. In addition, social costs, as well as benefits, should be an explicit part of any evaluation.

Success at rural development requires Federal, State, and local cooperation, and coordination of efforts. Thus, inquiries into appropriate strategies and approaches should include Federal, State, and local groups.

Due to the structural and philosophical complexity of the issue of national goal-setting, considerably more rigorous effort is required for the establishment of a generally acceptable framework for determining and implementing goals. Such an effort must encompass a careful assessment of not only alternative strategies, but also the following considerations.

Purpose of Rural Development Goals

The design of goals should consider at least the following objectives: improve program management, provide benchmarks for program evaluation, facilitate political accountability (and/or support), serve as an integrative mechanism, or provide a formalized mechanism for taking account of an adapting to changed circumstances.

Characteristics of Goals

Goals should represent ends, not means, and should be measurable, attainable/realistic, subject to the effect of public policy, relevant to contemporary or long-range needs, socially acceptable, and consistent across programs.

Intergovernmental Division of Responsibility

Which level--Federal, State, or local--has the responsibility? Criteria for making such determinations should include: source of program funding support; level having administrative control; proximity to implementation; least common jurisdictional denominator under conditions of benefit/cost spillover; statutory responsbility; and commonality of objectives across jurisdictions.

The next goals report will attempt to provide this type of assessment, thereby establishing a more constructive basis for debate and development of concensus on the adoption of a viable national goal-setting process for rural areas.

Goals Formulation

Preliminary consideration of the items above led to the formulation of a method of approach that would provide for detailed examination of goal formulation by a wide range of interested parties. It also enables testing the utility of several alternative goal-setting process designs. The results of the test should also produce a range of locally generated rural development goal statements that might contain the seeds for national rural development goal statements.

One element of this method is to stimulate and assist States and substate regions to take leadership in conducting public demonstrations of formulating rural development goals.

The other element is deriving quantified goals from past public investments and extending this procedure to include programs of other Federal agencies and departments having programs for aiding rural areas. Such methodology could then be used to translate projected Federal expenditures into output-oriented quantitative goal statements. Such statements would be of value in establishing budget and appropriation levels and in measuring the attainment of program targets.

State and Local Goal-Setting Programs

No one process or approach has been developed to set national goals that acceptably represent most needs and preferences. Therefore, it is important that several methodologies be tested in the development and implementation of a national rural development goals formulation process. Following is a description of a three-part goals formulation strategy being developed.

* The first part consists of designing alternative models that can be used by State governments and substate districts to initiate and conduct a statewide and districtwide goals formulation process. These models will be designed down to the how-to-do-it level of detail and will be derived from a review of successful goal-setting processes.

In developing the models, RDS will work with the National Rural Development Committee and with other existing structures, such as the Assistant Secretaries Working Group, Federal Regional Councils, Federal program administrators, and representatives of State governments and substate district organizations.

Their efforts will be structured to ensure consideration of the items discussed in the preceding section on rural development strategies as they work to:

1. Identify the type, form and location of basic information needed to formulate goals in the five areas delineated by the Rural Development Act of 1972.
2. Design alternative procedures for collecting and processing the information.
3. Estimate time and effort requirements for the collection and processing of the information.

* The second part consists of designing and conducting an information program to show how a rural development goals process can assist States and substate regions in better serving citizen needs. The details of the suggested models of goal formulations processes will be disseminated through the National and State Rural Development Committees to State and county governments, multistate commissions, and public and private interest groups.

The information program will take a number of forms, including meetings, hearings, and informal exchanges to develop understanding, agreement and local support on the part of those involved in or affected by goal implementation.

* The third part consists of providing technical assistance to those States and districts which desire to initiate a rural development goals process. RDS, in cooperation with the National Rural Development Committee and State Rural Development Committees, will assume the leadership role for this element of the program.

RDS will coordinate USDA resources in designing the models and preparing the materials for the information program. The agency will work through the

State and National Rural Development Committees and with public institutions such as State, county, small municipal or township governments, and private and public interest groups in implementing the information program and in providing technical assistance.

Quantitative Rural Development Goals

The President and Congress through budget and appropriations procedures establish the levels of funding for programs. This in effect is a quantitative goal-setting process which reflects inputs from the grassroots through formal and informal contacts with Congress and executive branch agencies.

These funding levels can be translated into quantitative goals by the agencies responsible for their implementation and can be used in measuring progress towards their attainment. Or the procedure can be reversed and the quantitative goal can be used to generate costs.

The section of this document on rural development goals discusses quantitative goals for FY 1975 for those USDA programs with the most impact on rural areas. These goals were derived from budgeted program expenditure levels and are an estimate of what can be accomplished.

Most of the estimates, or operational targets, are derived by using crude techniques, the only means available now, that can be quite accurate in average situations in normal times. Situations are rarely average; or times, normal.

The complex interaction of the public and private sectors, often in an environment not subject to significant influence of Federal policy, also complicates the task of devising quantitative goals.

No one approach for translating public investments into quantitative output statements has gained general acceptance.

Much research has and is being done to improve quantitative techniques, and ultimately these efforts should produce methodologies sufficiently accurate to obtain results that will be useful in quantitative goal-setting. Until such time, it will be necessary to continue to rely on the more pragmatic approaches. The Department will concentrate on improving current approaches and on working with other departments and agencies so that progress can be included in future reports.

USDA RURAL DEVELOPMENT ACTIVITIES IN 1974

Many of USDA's programs and activities in rural development are reported annually in individual agency reports, reports to Congress required under Title IX, Section 901, of the Agricultural Act of 1970, responses to congressional inquiry, and testimony before Congress. While the data and information presented in this chapter may duplicate some of the information and data included in the above reports, it was included here to provide an overview of those USDA activities which are most significant in rural development.

Development of rural areas is the central purpose of some of these programs; for others it is a secondary objective. Both types are included here to afford the reader a broad view of the developmental impacts of USDA programs.

Agricultural Stabilization and Conservation Service (ASCS)

Agricultural Conservation Program (RECP)

This program aims at maintaining and improving the productive capacity of soil, conserving soil and water resources, and other environmental enhancement actions. Costs are shared with individual (or groups of) farmers, ranchers, and woodland owners who perform approved soil-building and soil- and water-conserving practices on their lands.

This program also encourages farmers and ranchers to carry out annual and long-term plans that will emphasize conservation benefits of national concern, and achieve desirable land-use adjustments. In 1974, participation was 92,660 farmers. Funds expended totaled $65,000,000. A summary for 1974 follows:

Status of the Agricultural Conservation Program
(Preliminary for 1973 and 1974)

Practice	Unit	Extent under 1974 program	Total accomplishment 1936-74
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, provide fire protection, and for other agricultural uses	1,000 Structures	271	2,975
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution	1,000 Acres	507	34,414
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution	1,000 Acres	14	114,345
Competitive shrubs controlled on range or pasture to permit growth of adequate cover for erosion control and to conserve water	1,000 Acres	1/	63,512
Trees and shrubs planted for forestry purposes, erosion control or environmental enhancement	1,000 Acres	228	5,783
Forest tree stands improved for forestry purposes or environmental enhancement	1,000 Acres	237	4,863
Wildlife conservation	1,000 Acres served	161	13,889 2/
Animal waste and soil waste pollution-abatement structures (lagoons, storage, diversion, and other)	Number	1/	10,859 3/

Status of the Agricultural Conservation Program
(Preliminary for 1973 and 1974)

Practice	Unit	Extent under 1974 program	Total accomplishment 1936-74
Sediment pollution-abatement structures or runoff control measures...	1,000 Acres served	1,233	6,024 3/
Other pollution-abatement practices.	1,000 Acres served	1/	413 3/

1/ Not offered in 1974.
2/ 1962-74, inclusive, with certain data established.
3/ Total accomplishments from 1970.

Forestry Incentives Program

The purpose of this program is to encourage the development, management, and protection of nonindustrial private forest lands. In 1974, the first year of the program, participation was 14,327 producers on 350,000 acres. Funds expended totaled $9,100,000.

Water Bank Program

The Water Bank Act (PL 91-559) approved December 19, 1970, authorizes a continuous program to prevent the serious loss of wetlands and to preserve, restore, and improve wetlands beginning July 1, 1971. Agreements are entered into with landowners and operators in important migratory waterfowl nesting and breeding areas for the conservation of specified wetlands. The agreements are for 10-year periods, with provision for renewals for additional periods. Participants through 1974 were 2,129 landowners on 165,514 acres under agreement in 66 counties. Funds expended totaled $764,058.

Emergency Conservation Measures

This program is authorized by the Third Supplemental Appropriation Act of 1957. Its objective is to restore to normal agricultural use farmlands designated by the Secretary, which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. Costs are shared with farmers for carrying approved measures for land rehabilitation. In 1974, landowners in some 179 designated counties participated. Funds expended totaled $10,700,648.

Appalachian Land Stabilization and Conservation Program

Authorized in Section 203 of the Appalachian Regional Development Act of 1965, this program under long-term agreements provides cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian Region. Funds for carrying out the program are transferred to ASCS from the Appalachian Regional Commission. Authority to enter into new agreements ended in 1972. In 1974, participation was 16,067 contract signers. Funds expended totaled $355,000, for completing approved conservation measures.

Cooperative State Research Service (CSRS)

An inadequate knowledge-research base has been a continuing limitation in rural development. It still is, but substantial progress has been made in building a significant body of knowledge on development and development processes, and making this knowledge available to decision-makers. Funds for rural development research have increased considerably since 1970, as follows:

	1970 (Mil. $)	1974 (Mil. $)
Hatch Act	1.6	6.0
States	2.3	7.0
Colleges of 1890 (PL 89-106)	---	7.0
Title V (PL 92-419)	---	1.5
Grants to Regional Research Centers (PL 89-106)	---	.3
Total	3.9	21.8

The total number of projects increased from 350 to 975.

Research now is concentrated on:

-- Economic opportunities, job creation, resource development with increasing emphasis on energy, investment opportunities.

-- Community facilities and services, health and medical care, education, manpower services, family services.

-- Water systems, waste disposal, fire protection.

-- Environmental quality and pollution abatement.

-- Enhanced capacities of individuals, communities, counties, multi-county areas and individuals to achieve their own objectives through their own efforts.

A significant effort is underway to improve the kinds and quality of information available to planners and decision-makers, devise more effective computerized information systems, and relate information to major present and projected institutional changes. A consistent effort is being made to analyze the continuing impact of technology on people and institutions.

Another significant trend is to make research a functional, built-in, continuing part of the development process itself. This is particularly true in some of the Title V programs.

The Colleges of 1890 place heavy emphasis on the improvement of economic opportunities for blacks and other minority groups, problems of low-income families, availability-satisfaction with community services, increasing employability, and alternatives for low-income, limited-resources farm families.

Research activities under Title V, Rural Development Act of 1972, are conducted in cooperation with the Extension Service and are jointly reported under the Extension statement that follows.

Regional Centers for Rural Development

During 1974, four regional rural development centers became operative:

* North Central Regional Center for Rural Development, Iowa State University, Ames

* Northeast Regional Center for Rural Development, Cornell University, Ithaca, N.Y.

* Southern Rural Development Center, Mississippi State University, State College.

* Western Rural Development Center, Oregon State University, Corvallis

The Centers were created essentially to:

-- More effectively utilize existing knowledge and competence in rural development, and to

-- Help build new knowledge and competence.

Support for the centers comes from two sources--grant funds from CSRS under PL 89-106 and regional research funds under Title V of the Rural Development Act of 1972. With grant support the centers are:

-- Making and updating inventories of existing research.

-- Synthesizing and interpreting present knowledge.

-- Establishing research needs and priorities.

-- Providing sophisticated research training, consultation, and technical assistance.

-- Conducting and/or supporting high-priority research.

Two examples of work of the centers are Rural Industrialization: Problems and Potentials, Iowa State University Press, 1974, and Communities Left Behind: Alternatives for Development, Iowa State University Press, 1974./

Extension Service (ES)

ES helps people in communities to plan and implement programs of orderly development and adjustment to change. This assistance is carried out mainly by field agents. Extension devoted more than 1,500 man-years to community development in FY 1974, an increase of 250 man-years, or 19 percent, over FY 1973. The following chart details the assistance provided by ES in FY 1974:

Extension Assistance, Major Community Problem Areas, FY 1974

Program Emphasis	Different projects assisted	Surveys, studies made	Meetings conducted	Man-years expended
	----------	Number	----------	
Organization and leadership development	10,517	1,962	16,142	424
Comprehensive planning	4,849	913	4,694	221
Water, sewer, solid waste disposal	5,780	1,216	3,426	98
Housing	3,728	543	4,315	156
Health and welfare	4,748	997	5,415	125
Manpower development	1,998	581	1,508	77
Recreation and tourism	4,223	780	3,365	104
Environmental improvement	6,002	775	6,880	162
Business and industrial development	2,398	633	825	68
Taxation and local government	2,794	213	2,467	59
Other community development	3,078	1,096	3,503	79
Total	50,115	9,709	52,540	1,573

Extension assistance devoted to the major community problem areas (table above) is greatest in organization and leadership development and comprehensive planning. Greatest percentage increases from FY 1973 to FY 1974 were in manpower development and comprehensive planning.

Of the total of 1,573 man-years of ES assistance in FY 1974, about half was delivered by workers whose main work is community development. The other half is accounted for by persons in other specialties who spend part of their time helping to improve communities through education.

There are ES field workers with primary duties in community development in 200 multicounty areas, 145 counties, and 102 special project areas. When these are mapped out across the country, citizens in more than 70 percent of all counties in the United States have access to an Extension field worker in their local area. The total of approximately 375 field workers is backstopped by about the same number of ES workers stationed on campuses of the land-grant colleges and universities.

Among special projects conducted are pilot (Extension-research) demonstrations developed under Title V, the research and education component of the Rural Development Act of 1972. All 50 States and Puerto Rico started work in this program in FY 1974. Plans were made and approved by citizen advisory committees in the States and submitted to USDA for final approval and funding.

A plan of work for each State identifies a range of problems perceived by the citizens of the area served. The kinds of problems identified are:

- Job creation and income improvement - 31 States
- Improvement of employability (manpower development) - 8 States
- Recreation and tourism - 6 States
- Housing - 20 States
- Solid waste disposal, sewer and water systems - 23 States
- Education services and facilities - 11 States
- Health/medical services and facilties - 17 States
- Transportation services and facilities - 14 States
- Land- or water-use policy and planning - 19 States
- Public finance and taxation and local government operations - 16 States
- Enhancing community viability (the ability of a community to solve its own problems)--including leadership development - 35 States

Other kinds of special projects are carried out by ES in cooperation with other agencies. These include Extension workers cooperating in Resource Conservation and Development Projects with the Soil Conservation Service, Hitchhike projects (with the Department of Labor) and local-State-national efforts known as Concerted Services in Training and Education.

Extension is offering increased assistance to units of local government in such areas as taxation and business management. ES also provides information on Federal, State, and regional programs that can complement and support local efforts.

The individual States now have a helping hand in the form of four regional rural development centers. The directors of the State extension services and experiment stations have established and are supporting these centers (see page 23). The centers are funded in part by the Rural Development Act. All have full-time directors and are active in coordinating and carrying out region-wide extension programs and research in community development.

Farmers Home Administration (FmHA)

In calendar 1974, FmHA made available $4.46 billion in over 212,900 loans and grants to farmers, rural home owners, municipalities, and other organizations. The dollar amount exceeds that in any previous calendar year and the number of loans is second only to 277,287 in 1973. Following are some of the specific accomplishments of FmHA programs in 1974:

Housing

Credit for all types of rural housing was nearly $2.2 billion and accounted for 112,408 loans. In individual homes, for the last 6 months of CY 1974, 42 percent of the initial loans were for existing housing in an effort to bring costs to an affordable level for low-income families.

Of the housing credit, $205.6 million used to produce rental units for the elderly and families of low-to-moderate income. This program is four times the calendar 1972 level and more than doubles 1973. It soon will be attracting private capital as one of FmHA's new guaranteed loan programs.

Rural housing loans made during the last half of CY 1974 exceeded the number and amount of loans made during the same period in 1973. The following tabulations indicate the loans made in each period:

Section 502 Rural Housing Loans

	Number	Amount ($ Mil.)
FY 1974 (as of 12-31-73)	35,446	558,766,940
FY 1975 (as of 12-31-74)	49,808	904,185,070
Percent increase	40.5	61.8

Rural Rental Housing Loans

	Number	Amount ($ Mil.)
FY 1974 (as of 12-31-74)	147	15,079,000
FY 1975 (as of 12-31-75)	243	47,344,800

Business and Industrial Development

From the inception of the business and industrial loan program through December 31, 1974, 508 loans were made for $246,011,895 creating an estimated 13,406 new jobs and an estimated saving of 13,167 jobs. Following is a general analysis of the types of lenders involved:

Loan Guarantees	Percent
Commercial banks (State and national banks)	87.6
Savings banks	*
Savings and loan associations	3.8
Insurance companies	*
Other lenders (includes mortgage bankers, brokers, leasing companies, production credit associations.)	5.5
FmHA insured loans (to Indian tribes and public bodies)	2.4
	100

*Less than 0.5 percent

A survey of 419 business and industrial loans showed that the following types of enterprises were represented (grouped according to the nine major classifications used in the Standard Industrial Classification Manual):

Titles and descriptions of industries	Percent
Agriculture, forestry, and fishing	7
Mining	1
Construction	6
Manufacturing	36
Transportation, communications, electric, gas, and sanitary services	5
Wholesale trade	9
Retail trade	15
Finance, insurance, and real estate services	3
Services	18
	100

Of these loans about one-third were for new facilities and the remainder for expansion of existing businesses.

In addition, FmHA made 177 industrial development grants in 1974 amounting to more than $11.5 million. These funds were used by communities to upgrade sites (to make them suitable for use as industrial or business locations) through measures such as extension of water and waste disposal service, access roads, rail spurs, and utilities.

Community Facilities

In the first full year of the community facilities loan program, 184 loans were made for nearly $68 million. Some 25 major purposes were represented with fire, health, rescue, and public safety facilities accounting for most of the loan money.

It is estimated that the community facility loan program creates or saves 17,828 jobs annually, based on a $200 million loan level. Approximately 10,556 of these jobs are full-time equivalent permanent jobs in the facility financed and 7,272 are construction jobs. Another 23,533 jobs are secondary permanent jobs in the community.

The following tabulation shows the percentages of projects and percentages of funds used for major categories of community facility loans (based on projects reviewed in the national office):

Category	Percentage of Project	Percentage of Funds
Health care	27	69
Fire rescue and public safety	36	5
Transportation	5	2
Public buildings	6	4
Cultural and educational	7	4
Recreational	8	6
Energy transmission and distribution	1	(less than 1)
Industrial development facilities	8	9
Other rural development	2	1
	100	100

Water and Waste Disposal

A grant program was reinstated in CY 1974, and some 667 water and waste disposal grants for $99.6 million were made to accompany 1,570 loans for over $572 million.

Farmer Programs

In CY 1974, 94,411 loans for $1,229 million were obligated to farmers, the second successive calendar year over a billion dollars. Included were some 4,800 loans to young people to help them learn money management and earn an income. Cooperating private lenders provided an additional $490 million for use by FmHA farmer borrowers during FY 1974.

Complete regulations were developed and published to carry out the Emergency Livestock Credit Act that became law in July, and over 900 loans for approximately $117 million were guaranteed in the calendar year.

Certificates of Beneficial Ownership

In FY 1974, $3.4 billion worth of this new financial instrument were marketed. The newly established Federal Financing Bank was the primary purchaser, with $2.5 billion; private investors bought $900 million.

FmHA Management Improvements

Bringing minicomputers on line and activating telephone inquiry terminals in the Finance Office in Washington last year were the most visible of many management improvements. This gives quick access to status of borrower accounts and availability of loan checks, and speeds entry of data into the computer. It also facilitates handling and accounting of acquired property and permits rapid identification of delinquent accounts. An extensive updating and simplification of agency regulations was well on the way to completion at year's end.

Forest Service (FS)

The Forest Service uses three organizations in carrying out its missions: National Forest System, Forestry Research, and State and Private Forestry.

National Forest System (NFS)

NFS lands produce a cash income to the Nation of about $485 million per year. A quarter of these receipts are provided to States or counties in which lands are located, and 10 percent is made available for construction and maintenance of FS system roads/trails, benefiting rural areas. In addition to these cash receipts, there are even greater economic values resulting from processing of end products derived from this utilization of National Forest timber, forage, and minerals. Recreation, wildlife, and water, plus intangible environmental values, result in important economic activity in local economics.

The National Forest System covers almost 10 percent of the area of the continental United States. Over 40 percent of this land is within areas now experiencing economic distress. Millions of rural people living in or near national forests are supported in whole or in part through the economic development of forest resources. These resources offer the most favorable basis for

developing vigorous rural economies and communities. A direct source of rural revenue, of course, is in the opportunity for NFS employment of rural residents. Of the some 20,000 Forest Service employees, the majority live and work in rural areas. These jobs are a welcome source of income, serving to bolster many local economies.

National forests supply over 11 billion board feet of timber to the Nation's forest industry--primary and secondary wood product manufacture is centered in rural areas. In some areas, the dependence of local industry on NFS timber is almost 100 percent. Without this supply some small communities could not exist.

About 3.3 million head of domestic livestock are grazed on NFS lands in rural America. The 17,000 ranch units owning these livestock are mostly family-type operations which many rural communities vitally depend upon for their economic life.

Management and development of NFS wildlife habitat is of prime importance to many rural economies. A substantial rural industry is based on hunting, fishing and enjoyment of wildlife. Over 47 million visitor-days are generated from this source each year. Rural areas derive some $873 million in user expenditures from this aspect of National Forest System management. Recent accomplishments include:

1. 6,200 acres of wetland development.

2. Several miles of fish-stream improvement and several thousand acres of fish-lake improvement.

Many local economies are keyed to recreation use of NFS lands. The tourism industry relies on national forest developments and attractions as a major drawing card in rural America.

Aside from publicly developed facilities, NFS also accommodates visitor use through concessionaires--providing opportunity for private entrepeneurs (resorts, marinas, ski areas) where needed to serve the public. Recreational use of NFS has reached 193 million visitor-days, providing various forms of direct and indirect revenue to rural areas.

A prime objective is to meet recreation demands while protecting environmental and resource values. Current accomplishments in rural areas include:

1. Operation of over 8,600 developed recreation sites.

2. Administration of 15 million acres of wilderness and primitive areas.

3. A Visitor Information Service in local areas contributing to understanding and appreciation of natural resources.

Watersheds - NFS lands provide protection to municipal water supplies for nearly all western cities and towns and many in the east; to irrigation water used on about 20 million acres of western lands; and to many streams

with water power developments. The economic implications and intangible benefits for protecting the clean water resource results in substantial and varied rural area benefits.

Recent NFS soil/water work for rural areas includes:

- Land-use planning to assure compatability of development with hydrologic concerns.

- Soil resource inventory of 10.5 million acres.

- Rehabilitation of several hundred miles of eroded roads and shoreline, and thousands of acres of sheet erosion areas.

- Restoring 1,700 acres of surface-mined area to productive use.

Wildfire is a constant threat to rural America. Each year, disastrous fires in forests, grasslands, watersheds, and communities destroy numerous lives and untold property. The resource base is damaged and rural growth and prosperity suffers. Rural development depends on an assured degree of fire protection to: safeguard lives; protect and encourage capital investment for essential services, industry, and employment; and maintain the resource supply supporting the economy.

Forest Service fire programs focus especially on the rural picture. (The cooperative State/private land component is noted under another heading.) Direct protection is provided to the 187 million acres of the rural resource within NFS. The prime objective is to reduce to tolerable limits the fire threat to life and resources in rural areas. Recent accomplishments include:

- Stepped up fire mobilization--reducing fire losses despite an increase in actual fire starts.

- Airlifting of fire trucks, for the first time ever, to strengthen protection for lives, homes, and property in critical fire situations.

- A fuel treatment program to reduce the flammability of rural forest and rangeland areas.

- Increased coverage in fire prevention, law enforcement and firefighter training.

Forestry Research

The Forest Service conducts research forestry and the management of forest and related lands. This includes the growth and harvesting of timber, its protection from fire, insects, and diseases, the protection and management of watersheds, and improved methods for development and management of recreation resources. FS conducts studies in forest economics, marketing of forest products, and a survey of the present extent and potential growth and use of the Nation's forest resources. It also conducts research to develop new and improved products from wood, to increase efficiency of utilizing forest products,

and to advance the efficiency and mechanization of forestry operations.

The research program has a two-fold objective:

1. To backstop the national forest development program by devising more efficient practices for protecting, managing, and utilizing forest resources that will not have undesirable consequences on environmental quality and productivity.

2. To develop new and improved practices that will lead to sounder uses of forests in other public and private ownerships, more efficient and profitable utilization and marketing of forest products, and improvement of the environment on these lands.

Results of research are made available to owners of private forest and rangelands, to public agencies which administer such lands, to forest product industries, and to consumers. Research in the growing, harvesting, processing, and marketing of forest products results in increased competitiveness for forest products. Contribution of the forest resource to the economic and social welfare is made more effective. Research in the management of resources for water, forage, wildlife, and recreation has similar effects as a basis for community development and satisfaction of national demands.

Some research accomplishments during FY 1974 were:

1. Forest & Range Management Research completed 392 studies and produced 658 publications.

2. Forest Protection Research completed 129 research studies and produced 329 publications.

3. Forest Products and Engineering Research completed 157 studies and published 214 publications.

4. Forest Resource Economics Research completed 82 studies and printed 175 publications.

Total number of studies completed: 760

Total number of publications: 1,376

State and Private Forestry

Cooperation with State and private forest landowners to improve multiple use management of non-Federal forest lands is one of the basic objectives of the Forest Service. Processors of forest products, who are primarily located in rural areas, receive specialized technical help from FS in cooperation with State agencies. Opportunities exist for greatly increasing the contribution of these lands in enhancing the environment and to the social and economic welfare of the Nation as a whole--and more particularly through rural development activities to improve the economic levels, employment opportunities, and general welfare of the people living in these areas. Specific efforts are made by the Forest Service to:

1. Improve the protection of 574 million acres of State and privately owned forests and critical watersheds against fires, insects, and diseases.

2. Encourage better forest practices for resource conservation, betterment, and profit on the 393 million acres of non-Federal forest land.

3. Aid in the distribution of planting stock for forest and windbarrier plantings on non-Federal lands.

4. Assist the harvesters, processors and marketers of forest products in doing a better job and thereby bringing about greater use and utilization of forest products and increased income and employment for rural people.

5. Provide assistance to States, through the State Forester, for forestation and tree improvement including specialized advice and technical assistance and financial contributions.

6. Provide assistance to State and local communities in an intensified development planning effort to improve both the economic situation and environmental quality in rural America and to enhance environmental values associated with the use of trees in urban and community areas.

Some State and private forestry accomplishments during FY 1974 include:

1. Number of woodland owners assisted--110,000.

2. Number of trees shipped to landowners--595 million.

3. Acres protected from fire--626 million.

4. Insect and disease control--1,124,000 acres.

Rural Development Service (RDS)

The Rural Development Service made significant progress in promoting rural development in 1974. Accomplishments include the following:

The agency established a system for coordination of rural development activities throughout the executive branch. RDS reviews, analyzes, and comments on new and existing legislation, regulations, and administrative policies affecting rural areas, so as to help improve the delivery of resources and services applicable to rural development. Specific coordination efforts are aimed at negotiating procedures to close program gaps, identifying and resolving difficulties in joint funding, improving program delivery mechanisms, and preparing instructional material as new programs and procedures become operational. In this regard, RDS was invited to participate in the drafting of the Department of Transportation's regulations regarding the Rural Highway Public Transportation Demonstration Program.

The Rural Development Service represents the rural interest on the Department of Health, Education, and Welfare Emergency Medical Services (EMS) statutory

interagency committee. RDS reviewed and commented on EMS regulations while they were in the formative stage, making recommendations supportive of rural needs. In addition, RDS provides rural interest representation on 19 other interdepartmental task forces and acts as a rural advocate in matters before these groups. As a result, five cooperative interdepartmental and interagency agreements were negotiated which will result in expanded or more efficient delivery of Federal assistance to rural areas. (The present goal is to effect a minimum of 10 such agreements by the end of FY 1975.)

Rural Electrification Administration (REA)

More than $2.6 billion was made available to rural electric and telephone systems during CY 1974, the largest amount for any 12-month period in the 40-year history of the program. Of this amount, $2.3 billion--consisting of $729.9 million in insured REA loans, $1,075.4 million in commitments to guarantee loans made by non-REA sources (specifically the Federal Financing Bank), $116.7 million from the National Rural Utilities Cooperative Finance Corporation (CFC), and $416.4 million from other supplemental sources--was provided electric borrowers. In the telephone program, $327.1 million was made available: $139.4 million in REA insured telephone loans, $154.8 million in Rural Telephone Bank (RTB) loans, and $32.8 million in the recently initiated telephone loan guarantee program.

Electric Program

On December 31, 1973, rural electric borrowers were serving 7.5 million consumers over 1.8 million miles of line. Funds from the electric loans made during CY 1974 provide financing for an additional 320,667 consumers and 31,190 miles of line. Rural electric systems average 4.1 consumers per mile of line and provide service in 2,600 of the 3,100 counties in the United States.

Through December 31, 1974, REA electric loans totaled $9.7 billion, with $8.8 billion of this having been advanced to borrowers.

Telephone Program

On December 31, 1973, rural telephone borrowers were serving 2.8 million subscribers over 614,000 miles of line. Funds from telephone loans made during CY 1974 provide financing for an additional 155,312 subscribers and 16,722 miles of line. Through December 31, 1974, REA telephone loans totaled $2.4 billion, with $2.1 billion of this having been advanced to borrowers. Rural Telephone Bank loans totaled $473.9 million, with $207.4 million having been advanced.

More than 2,846,000 subscribers were receiving service from REA-financed systems at the end of December 1973, as reported by 837 borrowers, an increase of more than 207,000 over the previous year. The percentage of total subscribers receiving one-party service increased from 50.6 percent during CY 1972 to 54.6 percent during CY 1973. By June 30, 1974, REA had made a total of 764 loans converting 1,951 exchanges to single-party service for over 1,048,000 subscribers. At the end of the fiscal year, loans had been made to 371 borrowers to provide systemwide one-party service in 912 exchanges serving 543,827 subscribers. Seventy-one borrowers received loans in FY 1974 providing for systemwide one-party service to 104,160 subscribers.

Percentage of Subscribers by Grades of Service

Service	End of calendar year				
	1970	1971	1972	1973	1975*
	percent				
1-party	41.6	46.3	50.6	54.6	61.0
2-party	9.8	8.9	8.2	7.4	8.0
4- and 5-party	25.6	26.3	25.5	24.8	23.0
8-party	23.0	18.5	15.7	13.2	8.0

* Estimate

Community Development Activity

Rural electric and telephone systems are natural leaders in the development of rural communities. The most recent REA survey of borrower community development activity shows that directors, management, or employees of 924 REA-financed systems helped create over 45,000 new jobs through 911 commercial, industrial, and community facility projects in rural communities in CY 1973. Since mid-1961, REA-financed systems have helped to establish or expand more than 7,336 community and industrial facilities in rural areas, creating more than 466,600 new jobs.

Soil Conservation Service (SCS)

Significant accomplishments in carrying out USDA's rural development mission have been made by SCS. Those programs that significantly contribute are Conservation Operations, Watersheds (PL-566), River Basins, and Resource Conservation and Development.

Conservation Operations

Through the Conservation Operations Program, technical assistance was provided to over 1 million land users, resulting in conservation treatment on over 27 million acres during 1974. In addition to providing technical assistance to nearly 3,000 conservation districts, over 32,000 other units of government and private agencies were helped with land-conservation industrialization planning. This assistance included providing inventories and evaluations of soil, water, and related resources. Nearly 47 million acres of soil surveys with multiple-use interpretations were completed during the year. There were 2,700 stream flow forecasts that provided valuable information to water users whose annual supply is dependent upon the snow melt.

Resource Conservation and Development (RC&D)

In the 109 RC&D projects authorized, 7,248 measures were completed and placed in operation by June 30, 1974. Measures contribute significantly to: (1) solving land-use, economic, and social problems; (2) a realization of development opportunities; and (3) increased employment and income in project areas. Sponsors plan and carry out specific associated measures either as the

primary leaders or in a supporting role to others.

Such measures include facilities, activities, or enterprises necessary for utilization, processing, and marketing of natural resource products.

Other Federal, State and local agencies and private enterprise assist in the planning and installation of measures and other activities. A summary of measures installed by June 30, 1974, follows:

Progress in 109 Resource Conservation and Development Projects in Operation - June 30, 1974

Type of RC&D measure	RC&D measure activity							
	Adopted		Planned		Completed		Canceled	
	FY 1974	Total to date	FY 1974	Total to date	FY 1974	Total to date	FY 1974	Total to date
Accelerated services	143	1,892	91	905	61	575	14	84
Critical area treatment	386	1,743	162	719	83	343	37	95
Flood prevention	224	1,753	34	324	48	207	56	209
Farm irrigation	84	535	16	167	7	106	6	59
Land drainage	57	403	19	107	11	73	5	25
Agriculture-related pollutant control	8	128	--	--	--	--	--	4
Public water-based recreation	129	497	10	30	--	4	5	27
Public water-based fish & wildlife	37	216	3	16	2	3	6	15
Public recreation or fish & wildlife developments	311	3,623	*	*	151	977	86	356
Water developments	60	1,255	*	*	31	387	21	95
Special resource studies & inventories	422	2,459	*	*	223	1,037	29	110
Highways, roads, trails & scenic highways	79	1,103	*	*	52	258	26	88
Cooperatives & associations	40	252	*	*	27	115	3	23
Agri. & forest product processing or marketing industry	90	676	*	*	45	234	10	74
Industrial development	94	527	*	*	63	264	17	66
Public facilities or services	539	4,469	*	*	257	1,378	62	211
Educational	146	1,027	*	*	77	412	9	54
Other	439	2,912	*	*	164	875	51	138
Totals	3,288	25,470	335	2,268	1,302	7,248	445	1,753

*Planning of associated RC&D measures not recorded.

Small Watersheds

Under the Small Watersheds Program (PL-566) in FY 1974, 21 watershed plans were completed for local sponsors. This involved technical and financial assistance for flood prevention, agricultural water management, and water-based recreation and fish and wildlife enhancement, as appropriate. Approximately 300 additional plans are in some stage of development.

In addition to the watershed planning effort, 1974 was the PL-566 program's biggest construction year ever. Watershed project sponsors completed over 30 percent more flood-water retarding structures. These include eight for recreation structures providing 550,000 public recreation days last year and five for dependable municipal water supplies for eight rural communities and 68,000 people.

River Basins

SCS participation in coordinated interagency surveys helps assure proper consideration of rural development in the formulation of various types of comprehensive river basin plans. During FY 1974, the Department, under SCS leadership, completed nine cooperative river basin studies with State and Federal agencies; 48 such studies are still underway. SCS also participated, through the U.S. Water Resources Council, in eight comprehensive detailed studies and assisted in the 1975 National Water Assessment effort.

SCS is cooperating with 28 States in conducting flood hazard analyses. In 1974, 48 new studies were initiated and 17 completed. SCS also was involved in 36 detailed flood insurance studies in 17 States for the Department of Housing and Urban Development on a reimbursable basis.

Intergovernmental Personnel Act

In addition, SCS, through the Intergovernmental Personnel Act, is providing assistance to State, substate, and county governments. Through agreements, SCS professionals have been assigned to the agencies on a full-time basis. There were over 100 agreements during 1974. Rural agencies are assisted in developing natural resource information for use in the comprehensive planning process. A great proportion of these agreements directly involve planning in rural areas.

APPENDIX

HISTORICAL REVIEW OF FEDERAL ACTIONS RELATING TO DEVELOPMENT

The history of Federal involvement in rural development in the areas of employment, income, population, housing and community facilities, as is presented in this section, illustrates the absence of explicitly stated and understood national rural development goals. On the other hand, the thrust of the legislation operative at any given time provides insight into the goals which were probably implicit in the legislative provision.

Population

The United States has had population policies since colonial times, when most communities wanted more people to increase the safety of life through strength in numbers, enhance the value of land and property, and stimulate economic activity. Settlement was encouraged in a variety of ways, and immigration policies permitted easy entry. During the first years of the Nation, the Federal Government deliberately sought to disperse population westward. By about 1890, actual settlement of the land was almost completed and the Government had confirmed its title to what had been an almost empty area.

The Northwest Ordinances of 1784 and 1787 and the Land Ordinance of 1785 established a precedent that guided the territorial expansion westward. The Homestead Act of 1862, Timber Culture Act of 1873, Desert Land Act of 1877, and Timber and Stone Act of 1878 all were intended to provide enticement to prospective agricultural settlers and others to populate the West and Midwest. The large Federal land grants to railroads, beginning in 1862, had the effect of making the railroads the biggest land-jobbers for settlement. The Chinese Exclusion Act of 1882, Alien Contract Labor Law of 1885, and National Origins Act of 1924, on the other hand, were meant to limit immigration.

The role of the States and the private sector was pervasive in the early western settlement days. Through cash sales and public auctions of government lands, private land jobbers acquired about 100 million acres of former Indian reservation lands, and about 140 million acres of State lands, in addition to the 181 million acres given the railroads by the Federal Government and the States. The railroaders were the biggest colonizers of the West, providing credit terms, special passenger rates, and agricultural guidance and assistance for prospective purchasers and settlers. Railroads and States sold settlers nearly six times as much land as was obtained for farming by homesteading. However, this more or less laissez faire system of development was not without its abuses, and in 1887 the Secretary of the Interior compelled the railroads and other large western landholders to give up 81 million acres of public lands illegally withheld from settlement.

In 1908, in hopes of finding a way to counteract a serious decline in rural population by increasing the attractiveness of country life, President Theodore Roosevelt officially sponsored a Country Life Commission to investigate rural living, compile information about farm life, and publicize the entire country life movement. During World War I, the Federal Government directly sponsored comprehensively designed residential developments in response to severe war industry housing shortages. However, the Federal Government disposed of its holdings by 1924.

The Resettlement Administration was established in 1933 to carry out the Federal intention to take indigent farmers off of poor land on which they were struggling to make a living and give them a change for a new start in life. The executive order creating the Resettlement Administration included a provision for the development of greenbelt towns, and all Federal Government holdings under this program were liquidated by 1953.

The large-scale public power and reclamation projects sponsored by the Federal Government during the 1930's also entailed the creation of small-scale new communities. When it was created in 1933, the Tennessee Valley Authority (TVA) was mandated to provide for the agricultural and industrial development of the valley, and it has long had a program of tributary area development through which it aids rural communities with small investments of its own, assistance in getting help from other Federal agencies, and encouragement for self-improvement. Early on, TVA built its one new town, and somewhat later the Atomic Energy Commission created a number of communities. However, in this latter case, Federal involvement officially ended with enactment of the Atomic Energy Communities Act of 1955 and was completely phased out in 1967.

In 1963, an amendment (PL 88-214) to the Manpower Development and Training Act of 1962 (PL 87-415) added Section 104 authorizing a limited experimental relocation assistance allowance program. This program provided grants and loans to involuntarily unemployed workers who had elected to participate in an experimental project involving relocation from areas with no job opportunities to areas of labor demand. Funds for financial assistance were administered by the Unemployment Insurance Service. There also has been an experimental program administered by the Department of Labor, under the Manpower Development and Training Act, providing assistance in relocating employees of defense contractors who have been displaced as a result of contract cancellation, renegotiation, or other changes.

Title X was added to the National Housing Act (PL 73-479) by Section 201 of the Housing and Urban Development Act of 1965 (PL 89-117) to provide mortgage insurance for land development, including making, installing, or constructing improvements. Section 1004 of Title X was inserted by Section 401(a) of the Demonstration Cities and Metropolitan Development Act of 1966 (PL 89-754) to permit mortgage insurance backed by the Federal National Mortgage Association to be issued to private mortgagors for the creation of new communities as defined by certain statutory criteria.

In 1968, the Advisory Commission on Intergovernmental Relations published a report, Urban and Rural America: Policies for Future Growth, which dealt with various arguments against and in favor of a national policy to deal with urban growth and made five major recommendations. The Commission urged development of a national policy to deal with urban growth, possibly including establishment of a Federal-State financial matching program of resettlement allowances for low-income persons migrating from labor-surplus areas and enactment of Federal legislation to eliminate or reduce migrational influence of interstate variations in public assistance standards and benefits. The Commission also suggested Federal assistance for new community development, through Federal low-interest loans and tax incentives, under certain conditions and enactment by Congress of legislation providing for experimental new community building on federally owned

lands, as well as provisions of State property tax deferral for new community development, as possible components of Federal and State policies dealing with urban growth.

Title IV of the Housing and Urban Development Act of 1968 (PL 90-448), also known as the New Communities Act of 1968, established a guarantee fund for financing new community land development. Two years later, the Urban Growth and New Community Development Act of 1970 was enacted as Title VII of the Housing and Urban Development Act of 1970 (PL 91-609).

In 1969, President Richard M. Nixon appointed a Task Force on Rural Development and established a National Goals Research Staff within the White House. The Task Force's 1970 report, entitled A New Life for the Country, recommended "that high priority be given to a national policy on the geographic distribution of population and economic growth." In its 1970 report, entitled Toward Balanced Growth: Quantity with Quality, the National Goals Research Staff specifically defined population growth and distribution questions and issues relating to the emerging debates centered around the theme of balanced growth. It categorized the choices for public policy regarding population distribution under a population spread strategy, an alternative growth-centers strategy, and a new communities strategy. Its summary position was that:

> Apropos of population distribution, we need to decide on whether or not we will adopt a deliberate strategy to encourage internal migration to negate the forecasts of ever-growing urban congestion in a few megalopoli. A variable option for such an alternate strategy is a policy of encouraging growth in alternate growth centers away from the large urban masses, coupled with a complementary effort of the use of new towns.

In 1969, the President proposed the creation of a commission to examine national population growth and its impact. With enactment of PL 91-213, the Commission on Population Growth and the American Future was created.

Part A of Title VII of the Housing and Urban Development Act of 1970 requires a biennial urban growth report contributing to the development of a national urban growth policy. The first report, in 1972, recognized that rural and urban community development are inseparably linked.

Section 701(b) of the Act states that:

> It is the policy and the purpose of this title to provide for the development of a national urban growth policy and to encourage the rational, orderly, efficient, and economic growth, development, and redevelopment of our States, metropolitan cities, counties, towns, and communities in predominantly rural areas which demonstrate a special potential for accelerated growth; to encourage the prudent use and conservation of our natural resources; and to encourage and support development which will assure our communities of adequate tax base, community services, job opportunities, and well-balanced neighborhoods in a socially, economically, and physically attractive living environment.

Section 702 of the Act provides the findings and declaration of policy in regard to the development of a national urban growth policy:

(a) The Congress finds that the rapid growth of urban population and uneven expansion of urban development in the United States, together with a decline in farm population, slower growth in rural areas, and migration to the cities, has created an imbalance between the Nation's needs and resources and seriously threatens our physical environment, and that the economic and social development of the Nation, the proper conservation of our natural resources, and the achievement of satisfactory living standards depend upon the sound, orderly, and more balanced development of all areas of the Nation.

(b) The Congress further finds that Federal programs affect the location of population, economic growth, and the character of urban development; that such programs frequently conflict and result in undesirable and costly patterns of urban development which adversely affect the environment and wastefully use our natural resources; and that existing and future programs must be interrelated and coordinated within a system of orderly development and established priorities consistent with a national urban growth policy.

(c) To promote the general welfare and properly apply the resources of the Federal Government in strengthening the economic and social health of all areas of the Nation and more adequately protect the physical environment and conserve natural resources, the Congress declares that the Federal Government, consistent with the responsibilities of State and local government and the private sector, must assume responsibility for the development of a national urban growth policy which shall incorporate social, economic, and other appropriate factors. Such policy shall serve as a guide in making specific decisions at the national level which affect the pattern of urban growth and shall provide a framework for the development of interstate, State, and local growth and stabilization policy.

(d) The Congress further declares that the national urban growth policy should:

(1) favor patterns of urbanization and economic development and stabilization which offer a range of alternative locations and encourage the wise and balanced use of physical and human resources in metropolitan and urban regions as well as in smaller urban places which have a potential for accelerated growth;

(2) foster the continued economic strength of all parts of the United States, including central cities, suburbs, smaller communities, local neighborhoods, and rural areas;

(3) help reverse trends of migration and physical growth which reinforce disparities among States, regions, and cities;

(4) treat comprehensively the problems of poverty and employment (including the erosion of tax bases, and the need for better community services and job opportunities) which are associated with disorderly urbanization and rural decline;

(5) develop means to encourage good housing for all Americans without regard to race or creed;

(6) refine the role of the Federal Government in revitalizing existing communities and encouraging planned, large-scale urban and new community development;

(7) strengthen the capacity of general governmental institutions to contribute to balanced urban growth and stabilization; and

(8) facilitate increased coordination in the administration of Federal programs so as to encourage desirable patterns of urban growth and stabilization, the prudent use of natural resources, and the protection of the physical environment.

Section 703 deals with the urban growth report requirement.

Part B deals with the development of new communities. Section 710(b) states the findings that

(b) ...continuation of established patterns of urban development, together with the anticipated increase in population, will result in (1) inefficient and wasteful use of land resources which are of national economic and environmental importance; (2) ...; (6) failure to make the most economic use of present and potential resources of many of the Nation's smaller cities and towns, including those in rural and economically depressed areas, and decreasing employment and business opportunities for their residents; (7)...; (9) further increase in the distances between the places where people live and where they work and find recreation....

(c) ...better patterns of urban development and revitalization are essential to accommodate future population growth; to prevent further deterioration of the Nation's physical and social environment; and to make positive contributions to improving the overall quality of life within the Nation.

(d) ...the national welfare requires the encouragement of well-planned, diversified, and economically sound new communities, including major additions to existing communities, as one of several essential elements of a consistent national program for bettering patterns of development and renewal.

(e) ...desirable new community development on a significant national scale has been prevented by difficulties....

Complementing the declaration of the need for a national urban growth policy in the Housing and Urban Development Act, the Agricultural Act of 1970 (PL 91-524) committed Congress to a balance between rural and urban America and declared that highest priority be given to the revitalization of rural areas. Specifically, Section 901(a) of the Agricultural Act declares:

> The Congress commit itself to a sound balance between rural and urban America. The Congress considers this balance to be so essential to the peace, prosperity, and welfare of all our citizens that the highest priority must be given to the revitalization and development of rural areas.

At about the same time the Housing and Urban Development Act and the Agricultural Act were passed, the Congress created the Commission on Population Growth and the American Future with a mandate to:

> ...conduct an inquiry into the following aspects of population growth in the United States and its foreseeable social consequences:
>
> (1) the probable course of population growth, internal migration, and related demographic developments between now and the year 2000;
>
> (2) the resources in the public sector of the economy that will be required to deal with the anticipated growth in population;
>
> (3) the ways in which population growth may affect the activities of Federal, State, and local government;
>
> (4) the impact of population growth on environmental pollution and on the depletion of natural resources; and
>
> (5) the various means appropriate to the ethical values and principles of this society by which our Nation can achieve a population level properly suited for its environmental, natural resources, and other needs.

The report of the Commission on Population Growth and the American Future, Population and the American Future, recommended that the Federal Government develop a set of national population distribution guidelines to serve as a framework for region, State, and local plans and development, that development of a growth center strategy be encouraged, that State governments give greater attention to the problems of population growth and distribution, and that an Office of Population Growth and Distribution be created within the Executive Office of the President.

According to a survey for the Commission on Population Growth and the American Future in 1971, 54 percent of Americans thought that the distribution of population was a "serious problem," and half believed that, over the next 30 years, it would be at least as great a problem as population growth. Fifty-two percent felt that governmental action affecting population distribution was

desirable, and 60 percent of those who saw population distribution as a serious problem wanted the Federal Government to intervene and discourage further growth of metropolitan areas.

Even more important than explicit population distribution policies are the numerous implicit policies that have influenced economic development and population settlement patterns. While the Federal Government has no clear, concise, cohesive population policy, it has continually developed policies that have secondary consequences for the migration and distribution of population. These policies may make individually positive contributions to society but, in turn, their collective impact may not be desirable from the standpoint of distribution of population and economic opportunity.

Population distribution policy goals must be sought in full consonance with the fundamental values of American life: respect for human freedom, human dignity, and individual fulfillment, and concern for social justice and social welfare. And the case for the desirability of population planning policy does not yet enjoy broad consensus.

Employment

Federal vocational education and vocational rehabilitation activities date from 1917 and 1920, respectively. More substantial Federal involvement in manpower training and employment programs dates back to the period 1933 to 1941, when several programs designed to provide work for the unemployed were implemented (particularly under the Works Progress Administration, Works Projects Administration, and Public Works Administration). In addition, the Wagner-Peyser Act of 1933 authorized creation of a service which would develop policies and methods for coordinating and guiding a nationwide cooperative Federal-State network of affiliated public employment offices. Four years later, the National Apprenticeship Act of 1937 authorized the Secretary of Labor to bring together employers and labor to create apprenticeship programs.

The Employment Act of 1946 (PL 79-304) set forth the national goal of promoting maximum employment, production, and purchasing power.* The precise meaning of these goals was left unresolved when the Act was passed and has remained open ever since. (Although finally enacted by an overwhelming majority in both Houses of Congress, the Act represented a series of compromises over a 2-year period.)

Section 2 of the Act states the declaration of policy as follows:

> The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means consistent with its needs and obligations and other essential

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*The policy of high-level employment is also an essential provision of the United Nations Charter (adopted by the United States in 1945), which provides that the United Nations "shall promote...full employment," and declares that "all members pledge themselves to take joint and separate action" for its attainment (Chapter IX, Article 55).

considerations of national policy, with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining, in a manner calculated to foster and promote free competitive enterprise and the general welfare, conditions under which there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

This paragraph of policy declaration represents most of the compromise over earlier proposals--instead of stating that it is a right of everyone able to work and seeking work to obtain regular employment, it merely states that it is the policy of the Government to foster conditions conducive to such employment opportunities. Also, there is no specific mandate that maximum employment should be the primary objective. Rather, there are three objectives--employment, production, and purchasing power--all of which apparently should be maximized collectively. And, in any event, maximum employment is a very complicated, multidimensional objective.

This congressional affirmation of Federal responsibility, as imprecise and complex as it might be, was not immediately followed by further activity--legislative or executive--in the formulation of more definitive programs. For the most part, the policies which the Federal Government has used to promote high employment have been fiscal and monetary--indirect controls designed to affect the general market environment. (The focus of fiscal policy has been the annual Federal budget, although State and local expenditures and revenues from their own sources have increased by about 1400 percent and 1100 percent, respectively, since 1946, to the point that they account for about 14 percent and 12 percent of the gross national product, respectively.) Responsibility for fiscal policy has been fragmented within Congress and the Administration, although it has been possible in general for Presidents to apply central direction to achieve a cohesive fiscal policy.

Although in 1946 an Office of Area Development was established in the U.S. Department of Commerce to offer technical assistance to State and community organizations engaged in industrial development planning and promotion, it was not until 1952, with Defense Manpower Order No. 4, that a specific surplus manpower utilization program was promulgated. Both the purpose and machinery of this order, dealing with "Placement of Procurement and Facilities in Areas of Current or Imminent Labor Surplus," became integral parts of continuing national policy, despite opposition to the pursuit of goals of income redistribusion through activities usually associated with economic efficiency criteria (minimum-cost procurement). This order and other executive directives and programs represented a positive recognition of the problem of area unemployment and an acceptance of a basic responsibility by the Federal Government to take action to alleviate conditions in these areas, while broadening the Nation's industrial base.

In 1953, the Small Business Administration (SBA) was established as the first peace-time agency devoted wholly to the problems of small businesses,

reflecting congressional concern for the preservation of free competitive enterprise. (The forerunners of the SBA were the Smaller War Plants Corporation set up in 1942 and the Reconstruction Finance Corporation established in 1932, some of the lending activities of which were restricted in 1947 to loans for small businesses that otherwise could not find commercial credit. The Small Business Act of 1953 (PL 83-163) ended the RFC and set up SBA. The Smaller War Plants Corporation had reported that smaller enterprise cities were better cities regardless of the size of the city.) Although the SBA legislation did not explicitly focus on employment or for that matter income, total SBA program activity results in substantial employment. (In 1955, the House of Representatives created a Select Committee on Small Business. The House Committee has upon occasion held hearings on the problems of small towns and of small businesses in rural areas and smaller cities and towns.)

In 1955, the Department of Agriculture established a pilot rural development program based on recommendations contained in a study of the problems of low-income farm families. A conclusion of the study was that for some poor farmers off-farm employment was the only answer.

Between 1946 and 1961, Congress progressed from a general statement of Federal responsibility for promoting and encouraging employment to legislation directing the executive branch to utilize specific methods to end chronic unemployment in designated areas. The passage of the Area Redevelopment Act (ARA) of 1961 (PL 87-27) inaugurated a new phase in Federal intervention to aid labor surplus areas. The Act earmarked half of its industrial loan funds for essentially rural areas and its dictum was that employment levels would be a continuing concern of the Federal Government. It was the first substantial recognition by Congress of the problem of long-term structural unemployment.

Section 2 of the Act stated its purpose:

> The Congress declares that the maintenance of the national economy at a high level is vital to the best interests of the United States, but that some of our communities are suffering substantial and persistent unemployment and underemployment; that such unemployment and underemployment cause hardship to many individuals and their families and detract from the national welfare by wasting vital human resources; that to overcome this problem the Federal Government, in cooperation with the States, should help areas of substantial and persistent unemployment and underemployment to take effective steps in planning and financing their economic redevelopment; that Federal assistance to communities, industries, enterprises, and individuals in areas needing redevelopment should enable such areas to achieve lasting improvement and enhance the domestic prosperity by the establishment of stable and diversified local economies and improved local living conditions; and that under the provisions of this Act new employment opportunities should be created by developing and expanding new and existing facilities and resources rather than by merely transferring jobs from one area of the United States to another.

The immediate and long-range purpose of the program was to stimulate an area, physically and institutionally, in such a way that a sound economic base

for reducing unemployment and underemployment could be established. No financial assistance was to be provided in an area unless it had an approved "overall program for the economic development of the area" and the proposed project had been found consistent with such a program by the State or the local political subdivision. To be funded, a project was required by the Act to be "reasonably calculated to provide more than a temporary alleviation of unemployment or underemployment within the redevelopment area." Although the sums appropriated precluded a massive program, legislative testimony regarding the Public Works and Economic Development Act of 1965 indicates that ARA programs helped to create around 115,000 jobs in the face of a projected need for 600,000 new jobs in depressed areas to bring their unemployment and underemployment into line with the national picture. The requirement for local overall economic development programs or plans (OEDP's) made a positive contribution in many communities. In many instances, the OEDP's did not provide a solid base for improving employment opportunities, but they were considered instrumental in attracting many jobs into depressed areas by June 1964.

The Area Redevelopment Act was allowed to expire after a brief extension, and a new measure, the Public Works and Economic Development Act of 1965 (PL 89-136), was enacted in its place. The new legislation broadened the scope of Federal activity and shifted emphasis from direct industrial development aid to public works spending and economic planning. Together, the two Acts provided a base for comprehensive multicounty and multistate planning in economically disadvantaged areas.

The Manpower Development and Training Act of 1962 (PL 87-415) represented the first major step toward a coordinated national manpower program, although the first manpower program, directed at economically depressed areas, began under the aegis of the Area Redevelopment Act (Section 17).

The stated purpose of the Manpower Development and Training Act was "to require the Federal Government to appraise the manpower requirements and resources of the Nation, and to develop and apply the information and methods needed to deal with the problems of unemployment resulting from automation and technological changes and other types of persistent unemployment."

The Area Redevelopment Act contained certain provisions for the training of the unemployed to fill jobs created by the bringing of new industry into a community or for which a demonstrated shortage of qualified workers had been established by a community survey. The Manpower Development and Training Act attacked the whole problem of unemployment and training wherever it might exist. It had as a major objective the reduction of long-term unemployment, whether occasioned by the obsolescence of an existing skill or by a lack of any specific job training.

To create additional employment opportunities immediately in areas of serious unemployment, the Congress in 1962 also passed the Accelerated Public Works Act (PL 87-658). This Act authorized the acceleration of construction projects in distressed and high-unemployment areas, with one-third of the authorized funds earmarked for small communities and rural areas.

Title III of the Trade Expansion Act of 1962 (PL 87-794) provided for the payment of readjustment, relocation, subsistence, and transportation allowances

to workers adversely affected by increased imports resulting from foreign trade negotiations permitted under the Act. It also provided for the training and retraining of displaced workers to enable them to compete successfully in the job market.

In 1963, the Manpower Administration was established as a response to labor market problems. From its inception, it has had the task of increasing the employability and earned income of unemployed and underemployed persons, with special emphasis on nationally defined target groups, such as unskilled workers and certain minority groups. (In 1966, in response to the impetus of the Economic Opportunity Act, manpower programs were redirected to stress training the disadvantaged.)

The Vocational Education Act of 1963 (PL 88-210) represented another effort by the Federal Government to improve job training facilities and opportunities. A major goal of the Act was to bring high school vocational education activities into line with the needs of the modern American economy. Although the Federal Government had given financial support for vocational education since the Smith-Hughes Act of 1917, the 1963 Act increased the amount of Federal funding authorized and broadened the purposes to include work-study programs and give greater emphasis to training for distributive occupations and for jobs in trade and industry.

In 1964, the Economic Opportunity Act proclaimed the absolute goal of eliminating poverty. Increased employability and employment opportunities were key objectives of the programs established by the Act. (Chapter 2 of the 1964 Economic Report of the President documented the official executive branch case on patterns of poverty.)

In 1961, the Secretary of Agriculture elevated rural development from an experimental innovation to a central objective of USDA. He created an Office of Rural Areas Development and extended the rural development program to all rural counties. The Department had been delegated responsibility for recommending designation for ARA public facility loan and grant eligibility of smaller areas of substantial and persistent unemployment or underemployment outside of established labor market areas, where they were essentially and fundamentally associated with agriculture and forestry (termed "rural development areas"). (USDA also provided technical assistance in the preparation of overall economic development programs required by the Area Redevelopment Act.)

In the Food and Agriculture Act of 1962 (PL 87-703), the USDA obtained authority for a "rural renewal" program. However, the States did not respond with the necessary enabling legislation for rural renewal authorities. The same section of the Act (Section 102, Title I) also has served as the legislative basis for the resource, conservation, and development program. Although focused on conservation and development of resources, both programs sought to provide additional economic opportunities and increase incomes.

In 1965, Congress enacted the Appalachian Regional Development Act (PL 89-4), following on proposals of the President's Appalachian Regional Commission. It had been appointed in 1963 to develop a program to revive the depressed Appalachian economy (due to an appeal by the Conference of Appalachian

Governors beginning in 1960). Section 2 of the Act stated its purpose:

> The Congress hereby finds and declares that the Appalachian region of the United States, while abundant in natural resources and rich in potential, lags behind the rest of the Nation in its economic growth and that its people have not shared properly in the Nation's prosperity. The region's uneven past development, with its historical reliance on a few basic industries and a marginal agriculture, has failed to provide the economic base that is a vital prerequisite for vigorous, self-sustaining growth. The State and local governments and the people of the region understand their problems and have been working and will continue to work purposefully toward their solution. The Congress recognizes the comprehensive report of the President's Appalachian Regional Commission documenting these findings and concludes that region-wide development is feasible, desirable, and urgently needed. It is, therefore, the purpose of this Act to assist the region in meeting its special problems, to promote its economic development, and to establish a framework for joint Federal and State efforts toward providing the basic facilities essential to its growth and attacking its common problems and meeting its common needs on a coordinated and concerted regional basis. The public investments made in the region under this Act shall be concentrated in areas where there is a significant potential for future growth, and where the expected return on public dollars invested will be the greatest. The States will be responsible for recommending local and State projects, within their borders, which will receive assistance under this Act. As the region obtains the needed physical and transportation facilities and develops its human resources, the Congress expects that the region will generate a diversified industry, and that the region will then be able to support itself, through the workings of a strengthened free enterprise economy.

Section 222 established program development criteria:

> (a) In developing recommendations on the programs and projects to be given assistance under this Act, and in establishing within those recommendations a priority ranking of the requests for assistance presented to the Commission, the Commission shall follow procedures that will insure consideration of the following factors:
>
> > (1) the relationship of the project or class of projects to overall regional development including its location in an area determined by the State to have a significant potential for growth;
> >
> > (2) the population and area to be served by the project or class of projects including the relative per capita income and the unemployment rates in the area;

(3) the relative financial resources available to the State or political subdivisions or instrumentalities thereof which seek to undertake the project;

(4) the importance of the project or class of projects in relation to other projects or classes of projects which may be in competition for the same funds;

(5) the prospects that the project for which assistance is sought will improve, on a continuing rather than a temporary basis, the opportunities for employment, the average level of income, or the economic and social development of the area served by the project.

The Appalachian Regional Development Act Amendments of 1967 (PL 90-103) made the broader aspects of regional development planning, such as choosing program criteria and the relative importance of programs and projects, the semiautonomous function of the Appalachian Regional Commission, rather than of separate Federal agencies. The 1969 amendments (PL 91-123) extended the Appalachian program to FY 1973 and altered the provisions for several social service programs. The 1971 amendments (PL 92-65) extended the Appalachian Regional Development Act through FY 1975, except for highway improvement authorizations, which were extended through FY 1978. This legislation also authorized Federal financial assistance for operation of vocational education facilities and establishment of a comprehensive vocational education demonstration program.

The basic program strategy of the Appalachian Regional Commission has been based upon a policy of growth inducements focused on the private sector and its decisions on creation of employment opportunities. Efforts to establish employment policy continue by Congress and the Administration--but, as yet, there does not seem to be a concensus on which approach will maintain high levels of employment while combating unemployment. Many traditional views on employment are under close scrutiny and the impact of such efforts as public works projects and public service employment are being analyzed.

Income

Income, particularly money income, is an essential ingredient in the quality of life equation for the American people. As the economy has moved to greater specialization and interdependence, personal money income has become a necessity for those residents who live outside of closed institutions regardless of place of residence.

The Employment Act of 1946 sets forth a goal of maximum purchasing power, which can be considered to be an expression of real disposable income. Income typically derives from employment, as apparently was envisioned in the 1947 Act, but also typically there are individuals and on occasion groups in society whose income is not sufficient to meet human needs either because employment is spasmodic, their skills are insufficient to earn an adequate wage, they are old or disabled, or their provider has departed through death or otherwise.

It was with the adoption of the Social Security Act of 1935 (PL 74-271) that the Federal Government became involved in a permanent, large-scale, and extensive commitment of national power and resources to provide people with a measure of income protection against social and economic insecurity and privation. This Act represented a major change in the direction of national policy, including provisions for public unemployment compensation, old age insurance, maternal and child welfare services, and public assistance programs.

Prior to the 1935 Act, national participation in welfare activity had been more or less peripheral, limited, or temporary. More recently, greater attention has been devoted to the prevention of economic dependence and to the rehabilitation of needy persons to enable them, if possible, to become self-supporting. (The Public Welfare Amendments of 1962 reflected this trend by increasing fund authorizations for such purposes as rehabilitation services, child welfare services, the training of welfare personnel, and by permitting the use of Federal funds in community work projects or on-the-job training for persons on welfare. The general thrust of this legislation was to reduce the long-term human and economic costs of dependency by increased effort and spending on rehabilitative activities.)

A push for a federally established minimum wage standard, as one approach to income policy, bore significant fruit in 1931 with the Davis-Bacon Act (PL 71-798), which has required all contractors on public works costing $2,000 or more to pay the prevailing rates of pay in the locality, and again with the Miller Act of 1935 (PL 74-8519). A more significant step was taken in 1936 with the Walsh-Healey Public Contracts Act (PL 74-846), which provided that contractors with the Federal Government must pay not less than the prevailing minimum wage in their industry and must pay time and a half for overtime work. In 1938, Congress enacted the landmark Fair Labor Standards Act, which provided for a minimum wage of 25 cents an hour and compensation of employees at time and a half of the regular rate for work in excess of a standard 44 hours per week. In 1939, the minimum hourly wage was raised to 30 cents, with subsequent increases in 1945 to 40 cents, in 1949 to 75 cents, in 1955 to $1.00, in 1961 to $1.15, and in 1963 to $1.25 (fully effective in 1965). In contrast, the average wage rate per hour, without board and room, for farm workers was 16 cents in 1939 and $1.14 in 1965. With the 1966 amendments to the Act (effective in 1967) more retail and service enterprises were included and minimum wage requirements were established for certain farm workers and other employees. A minimum of $1.60 an hour became effective in 1968 for most employees covered prior to the 1966 amendments. A minimum of $1.30 an hour became effective in 1969 for nonexempt employees engaged only in farmwork. A minimum of $1.60 an hour became effective in 1961 for nonexempt employees other than farmworkers nearly covered under the 1966 amendments.

It should be recognized that Federal income maintenance programs provide neither adequate coverage nor sufficient benefits to prevent poverty. The Social Security Act placed great reliance on social insurance to supplement and, it was hoped, eventually to replace public assistance. The unemployment compensation program was designed to protect workers against loss of income during limited periods of unemployment resulting from fluctuations in the business cycle, technological changes, seasonal variations in employment, and other factors beyond the control of the individual worker. It has not been

adequate to deal with unemployment on a widespread and long-term basis. Old Age, Survivors, and Disability Insurance (OASDI), commonly known as "social security," was meant to provide protection to workers and their families, by the payment of cash benefits, against loss of income because of old age retirement, death, or disability. However, many of those at the bottom of the income ladder who are least able to protect themselves have been excluded from OASDI income protection.

The primary objectives of Federal income security programs are to provide financial and other assistance to those in need and to provide partial replacement of income lost through retirement, disability, illness, unemployment, or death. This is particularly significant for people in nonmetropolitan areas, since a somewhat higher proportion of nonmetropolitan consumer units (families and individuals) are recipients of social security income (25.6 percent in nonmetropolitan areas versus 20.7 percent in metropolitan areas) and of welfare income (6.0 percent in nonmetropolitan areas versus 4.4 percent in metropolitan areas). The percentage of low-income nonmetropolitan families who receive any public assistance income is lower (18.7 percent in nonmetropolitan areas versus 23.8 percent in metropolitan areas), and the average public assistance income received by nonmetropolitan families and individuals is considerably less, despite the same average family size (two-thirds as much income for families and four-fifths as much for individuals, on a per person basis). It would appear, therefore, that changes in social security benefits have more effect on nonmetropolitan income levels and that a Federal standardization of welfare programs that would lead to more equitable enrollment and payment patterns would benefit nonmetropolitan people.

Section 301(c)(1) of the Sugar Act of 1948 required growers to pay field-workers at rates not less than those determined by the Secretary of Agriculture to be fair and reasonable, as a condition for payments designed to protect the welfare of the domestic sugar industry, to provide adequate supplies of sugar for consumers at fair prices, and to promote international trade.

Title III of the Trade Expansion Act of 1962 (PL 87-794) provided for the payment of readjustment, relocation, subsistence, and transportation allowances to workers adversely affected by increased imports resulting from foreign trade negotiations permitted under the Act. It also provided for the training and retraining of displaced workers to enable them to compete successfully in the job market.

Housing

Housing has a direct and important effect on the quality of life, and housing is the only major industry for which specific quantified goals of production have been codified. The Housing Act of 1949 (PL 73-479) established a qualitative national housing policy goal of "a decent home and a suitable living environment for every American family." This goal was reaffirmed by the Housing and Urban Development Act of 1968 (PL 90-448), which set a numerical goal of 26 million housing units to be constructed or rehabilitated during the next decade (1968-78), including 6 million units for low- and moderate-income families. The 1968 Act required the President to submit a 10-year plan for the elimination of all substandard housing and the realization of the national housing goal, and to submit an annual progress report (five of which have been submitted).

In the 1930's, the Congress made two fundamental policy decisions which remain basically intact. The first was complete restructuring of the private home financing system through creation of the Federal Housing Administration and the Federal Savings and Loan Insurance Corporation under the National Housing Act of 1934, the Federal Home Loan Bank Board and Federal Home Loan Bank System under the Federal Home Loan Bank Act of 1932, the Federal Deposit Insurance Corporation under the Banking Act of 1933, and the Federal National Mortgage Association chartered in 1938 under the National Housing Act. Creation of these and related institutions resulted in acceptability of the long-term, low down payment, fully amortizing mortgage and a system to provide a large flow of capital into the mortgage market.

The other fundamental policy decision was implementation of the concept of Government-subsidized housing for low-income families. Although the public housing program authorized in the U.S. Housing Act of 1937 was intended primarily as a means of stimulating employment and clearing slums, it nonetheless marked the first time that Federal funds were used to finance new housing construction for the less fortunate.

Title V of the Housing Act of 1949 authorized new programs of grants and loans for farm housing to be administered by the Farmers Home Administration, which had been established by the Farmers Home Administration Act of 1946. Congress had found that the scarcity of credit resources in rural areas made the use of existing Federal Housing Administration programs very difficult. Under the 1949 Act, FmHA was given responsibility to provide "safe, decent, and sanitary" housing for rural residents. However, the rural housing loans of the Farmers Home Administration were available only to farmowners until 1961. With the passage of the Housing Act of 1961 (PL 87-70), they also were made available to families who owned building sites in the open country or a small country town of not more than 2,500 population. The Consolidated Farmers Home Administration Act of 1961 consolidated and revised many of the agency's authorities. However, the rural housing authorities were not included in this Act but were left to the Housing Act.

Part A of Title III of the Economic Opportunity Act of 1964 authorized small loans to low-income families to "acquire or improve real estate or reduce encumbrances or erect improvements thereon," where such loans had a "reasonable possibility of effecting a permanent increase in the income of such families." This provision echoes a variation of the assumption that the most important factor influencing the quality of rural housing is family income.

The Housing and Urban Development Act of 1965 (PL 89-117) authorized rural housing loans to be made on an insured basis and created the Rural Housing Insurance Fund. Virtually all of the housing finance furnished by FmHA previously had been in the form of direct loans financed by borrowing from the U.S. Treasury.

In 1969, Section 207 was added to the Appalachian Regional Development Act to allow the Secretary of Housing and Urban Development to assist nonprofit organizations in the Appalachian region to construct, rehabilitate and operate low- and moderate-income housing projects. In 1971, this provision was broadened to provide additional assistance in making low- and moderate-income housing available, by subsidizing site development costs up to 10 percent.

The Rural Development Act of 1972 (PL 92-419) established two new rural housing programs in an attempt to fill gaps in the existing program structure. It provided a program to guarantee rural housing loans made by cooperative and other private lenders to rural housing credit applicants whose income exceeded the level required to qualify for low- and moderate-income rural housing loans, plus a provision applying to guarantees for rural housing loans secured by the Department of Hawaiian Home Lands.

The vast majority of Federal housing outlays are represented by the Department of Housing and Urban Development's mortgage insurance programs and the Veterans Administration's guaranteed and insured loans. Historically, Federal outlays for housing have greatly favored metropolitan areas since about 90 percent of the outlays from these two major housing programs have accrued to metropolitan counties. Similarly, low-rent public housing and housing for the elderly or handicapped, which together represent a major portion of direct Federal housing subsidies, have gone almost completely to metropolitan areas.

Federal housing subsidies also include special tax provisions to both homeowners and landlords to encourage the production and use of housing. In fact, several provisions of the Internal Revenue Code may be the most important housing subsidies currently administered by the Federal Government. Section 163 (Revenue Act of 1918) provides for the deductibility of mortgage interest on owner-occupied homes, while Section 164 (Revenue Act of 1913) provides for the deductibility of property taxes on owner-occupied homes. Sections 167(f) and 167(k) provide for rapid depreciation of rental housing and low-income rental housing rehabilitation expenditures. Section 61 of the Code defines income so as to exclude inputed net rent, thus the income in-kind that a homeowner receives by living in his own home escapes the Federal income tax system. Of particular significance among these provisions is the fact that the Federal income tax deductibility of mortgage interest and property taxes biases the advantages of homeownership in favor of higher income families because of their higher marginal tax rates.

Farmers Home Administration Section 502 low- and moderate-income, single-family housing has been the major Federal program placing homes in rural areas. The Section 502 program accounts for about 96 percent of all FmHA housing outlays. The Housing and Urban Development Act of 1968 (PL 90-448) significantly expanded the Section 502 rural housing program by authorizing subsidized or interest-credit loans to low- or moderate-income families whose housing needs could not be met with financial assistance from other sources. During fiscal years 1971 and 1972 and the first half of FY 1973, interest credit loans accounted for about half of the total Section 502 loan volume. After a temporary suspension of the program to provide time for a national study to explore the basic question of what role the Federal Government should play in housing and housing finance, interest-credit loans were resumed during the first quarter of FY 1974.

The Housing and Community Development Act of 1974 (PL 93-383) made a number of changes in rural housing programs; i.e., extension of FmHA housing areas by redefining eligible rural areas to include nonmetropolitan places of 10,000 through 20,000 population having a serious lack of mortgage credit; redefining housing to include mobile homes and mobile home sites, thus adding the authority to make guaranteed or insured loans for mobile home and mobile

home site purchase with the same conditions that apply to the Department of Housing and Urban Development under Section 2 of the National Housing Act; making State and local public agencies (housing authorities) eligible to participate in any rural housing program serving eligible persons; removing the ceiling on the size of rental housing loans; raising the maximum repair loan to $5,000; making self-help housing grant recipients eligible for advance loans for purchase of land options; making nonfarm rural dwellings eligible for rehabilitation loans and grants; making leasehold owners eligible as owners under rural housing programs; allowing loans for operating expenses of nonprofit sponsors up to 2 percent of development costs; adding authority for the FmHA to contract with private groups for construction inspections, commercial appraisals, servicing of loans, etc., to assist and not replace FmHA staff; giving the FmHA authority to hold funds for property taxes, etc., in escrow, at the borrower's option; providing insured loans and assistance payments for low-income persons residing in rental or cooperative housing; adding FmHA authority to make and insure construction and purchase loans for low- and moderate-income rural condominium housing units; making nonprofit sponsors eligible for technical assistance grants and contracts and preconstruction loans; and making public or private nonprofit organizations eligible for housing site loans. In addition, Section 506(e) of the Housing Act of 1949 was amended to read:

> The Secretary of Agriculture shall prepare and submit to the President and to the Congress estimates of national rural housing needs and reports with respect to the progress being made toward meeting such needs and correlate and recommend proposals for such executive action or legislation necessary or desirable for the furtherance of the national housing objective and policy established by this Act with respect to rural housing, together with such other reports or information as may be required of the Secretary by the President or the Congress.

Community Facilities and Services

The Federal Government has a long-standing interest in the provision of adequate community facilities and services for its citizens, whether they be metropolitan or rural residents. USDA is charged with responsibilities for assisting rural communities in the provision of water supply and distribution systems; sewer and waste disposal systems; electric and telephone service; industrial and commercial access streets and roads and parking areas; fire protection; pollution prevention and abatement; outdoor recreation facilities; food and nutrition services; consumer protection; youth and adult education; watershed protection and flood prevention; and other essential community facilities and services (such as fire and rescue, traffic control, and transportation). Other Federal departments and agencies have an additional range of responsibilities in such areas as eduction, health, manpower training, transportation, pollution control, and community facilities.

Brief policy backgrounds in the areas of water and sewer facilities, solid waste management, and health services are provided below. Additional policy background analyses are planned for future goals reports.

Water and Sewer Facilities

The Federal interest in water quality dates back at least to the Refuse Act or Rivers and Harbors Act of 1899. During the 1930's, Federal public works programs had a key role in maintaining an adequate rate of sewage treatment facility construction. The Water Facilities Act of 1937 authorized direct Federal long-term, low-interest loans to develop water facilities for household and farm use and to assist small construction projects for water storage and utilization facilities for farms and homes in 17 arid western States. In 1948, the first comprehensive Federal legislation on water pollution was enacted. The Federal Water Pollution Control Act (PL 80-845) of that year authorized low-interest construction loans to States and localities for sewage and waste treatment works, grants to States and localities for drafting construction plans for water pollution control projects, and grants to States for waste control studies. The principal objective of the 1948 Act was to ensure that every State had an effective antipollution program.

The 1948 Act was extended for 3 years in 1952 (PL 82-579). In 1954, the Act of 1937 was considerably expanded to include soil conservation practices and cover the continental United States and territories. The 1954 Act (PL 83-597) also raised the loan limits and started a loan insurance program for loans under the Act. In 1956, the small watershed program authorized in 1954 was extended to cover larger projects that could include municipal and industrial water supply and pollution abatement, with authorization for Federal cost-sharing and loans to local participants for their share of the project costs (PL 84-1018). The Water Pollution Control Act of 1956 (PL 84-660) expanded the 1948 Act with authorizations of $3 million a year in grants for 5 years to help cover the costs of State plans for pollution control and $50 million a year in grants for 10 years to assist cities in the construction of sewage treatment works. Half of the construction grant authorization was reserved for communities with populations not in excess of 125,000. The Water Pollution Control Act Amendments of 1961 (PL 87-88) authorized substantial increases in the sewage treatment grant program and increased the maximum project grant amount.

Section 306 of the Consolidated Farmers Home Administration Act of 1961 (PL 87-128) authorized loans and grants for the installation or improvement of water and waste facilities.

The 1965 amendments (PL 89-240) to the Consolidated Farmers Home Administration Act authorized a new program of $50 million annually in matching grants for construction of water supply and waste disposal systems in rural areas and $5 million annually in grants to help public agencies prepare comprehensive plans for development of rural water supply or sewage disposal systems, and increased the loan insurance limit. The 1968 amendments (PL 90-488) to the 1961 Act doubled the maximum annual authorization of matching grants to soil and water associations and local public agencies for construction of rural water supply and sewage disposal systems and tripled the annual authorization of grants for comprehensive rural water and sewer planning.

Section 702 of the Housing and Urban Development Act of 1965 (PL 89-117) authorized grants for basic water and sewer facilities and Section 217 added Section 522 to the National Housing Act (PL 73-479) linking housing assistance to the presence of sewer facilities. Section 212 of the Appalachian Regional Development Act of 1965 (PL 89-4) authorized grants for sewage treatment works,

and Section 214 authorized a program of supplemental grants applicable to water and sewer facilities. Section 101 and 102 of the Public Works and Economic Development Act of 1965 (PL 89-136) authorized grants for industrial and commercial water and sewer facilities, and Section 201 authorized loans for such purposes.

The Water Quality Act of 1965 (PL 89-234) required that water purity standards be set and enforced by States, increased the annual authorization for grants for construction of community sewage treatment plans, and authorized matching grants to local agencies for developing methods of preventing pollution from storm sewers. The Clean Waters Restoration Act of 1966 (PL 89-753) authorized funds to help communities pay the costs of the water quality standards which they were required to establish and enforce. In 1972, the authorization for water pollution control programs was extended and increased.

The National Environmental Policy Act of 1969 (PL 91-190) pertains not only to solid waste management and water and sewer-related activities, but also many other actions "significantly affecting the quality of the human environment." The Act created the Council on Environmental Quality, a small staff agency in the Executive Office of the President, and established a requirement that any Federal agency proposing legislation or planning to undertake an action having significant environmental quality effects file an impact statement with the Council. A complementary measure, the Water Quality Improvement Act of 1970 (PL 91-224) created the Office of Environmental Quality within the Executive Office of the President. In December 1970, the Environmental Protection Agency (EPA) was established to consolidate into one agency the major Federal programs dealing with water pollution, solid waste disposal, air pollution, pesticides regulations, and environmental radiation.

Section 105 of the Rural Development Act of 1972 (PL 92-419) amended Section 306(a)(2) of the Consolidated Farmers Home Administration Act of 1961 to substantially increase the funds authorization for rural water and waste disposal system grants. Section 108 amended Section 306(a)(6) of the 1961 Act to increase the funds authorization for rural water and waste disposal planning grants. Section 112 amended Section 306(a) to require a priority be accorded communities of not more than 5,500 population for water and waste disposal loans and grants. Section 104 amended Section 306(a)(1) to extend eligibility for water and waste disposal loans to reservation Indian tribes. Sections 103(a), 105(a)(2), and 106(f)(1) of the Housing and Community Development Act of 1974 (PL 93-383) authorized grants for water and sewer facilities in nonmetropolitan areas. The greatest single category of Federal spending for environmental quality is EPA grants for constructing or improving waste treatment plans and interceptor sewers to convey wastes to the plants. EPA policy is that local officials are responsible for the planning and management actions necessary to meet the facility demand created by local growth. The strategies for meeting water quality goals are established through a process of State planning. The Farmers Home Administration, the Department of Housing and Urban Development, and the Economic Development Administration are the other significant Federal sources of assistance in the area of water and sewer facilities.

Solid Waste Management

The Solid Waste Disposal Act of 1965 (PL 89-272) was the first specific Federal legislation that directed national effort toward solving the solid

waste problem. The Resource Recovery Act of 1970 (PL 91-512) was an omnibus amendment to the 1965 Act, providing for grants to States, interstate agencies, and localities for solid waste disposal facilities and resource recovery systems.

Health Services

The Federal Government has been involved in the provision of health services since as early as 1798, when the Congress authorized marine hospitals for the care of American Merchant Seamen. The Public Health Service Act of 1944 (PL 78-410) consolidated and revised substantially all existing legislation relating to the Public Health Service, which is the Federal agency charged by law to promote and ensure the highest level of health attainable for every individual and family in America.

The National Health Service Corps, established by the Emergency Health Personnel Act of 1970, marked the first Federal effort to provide Public Health Service physicians, dentists, nurses, and other health professionals to rural areas where other resources are inadequate. The Corps was intended not only to meet the immediate emergency manpower needs of a rural area, but also to help communities develop self-sustaining solutions to their local health problems.

The Emergency Medical Services Systems Act of 1973 allows 75 percent Federal funding of the cost of improving or expanding emergency medical services in rural areas and earmarks 20 percent of the 3-year $185 million authorization for use in rural areas. The Act directed the Secretary of Health, Education, and Welfare to give special consideration to grants or contracts for research relating to delivery of emergency medical services in rural areas.

The Health Maintenance Organization Act of 1973 earmarked 20 percent of its $325 million authorization for the development of rural health maintenance organizations over the next 5 years. There now exists a historic opportunity to deliver adequate health care to medically underserved rural populations, to replace the isolation of the solo rural physician, and to deliver improved medical care to low-income, elderly, and disabled residents of rural areas. Some of the more successful existing health maintenance organizations serve rural areas. The Secretary of Health, Education, and Welfare has established an Office of Rural Development under the Assistant Secretary for Human Development to coordinate programs for rural areas.

Section 104, titled Other Essential Community Facilities, of the Rural Development Act of 1972, allows for community loans that can be used for health care facilities. Data indicate that approximately 27 percent of the projects and approximately 69 percent of the funds under this section of the Act were used for health care facilities.